F5 NETWORKS INC
Form DEF 14A
January 26, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a party other than the Registrant

Check the appropriate box:

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

F5 Networks, 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.

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:

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on March 15, 2018

TO SHAREHOLDERS OF F5 NETWORKS, INC.:

The annual meeting of shareholders of F5 Networks, Inc. (the Company) for fiscal year 2017 will be held on March 15, 2018 at 11:00 a.m. Pacific Time at F5 Networks, Inc., 351 Elliott Avenue West, Seattle, Washington 98119 for the following purposes, as more fully described in the accompanying Proxy Statement:

1. to elect ten (10) directors nominated by the Board of Directors of the Company to hold office until the annual meeting of shareholders for fiscal year 2018;

2. to ratify the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2018;

3. to conduct an advisory vote to approve the compensation of our named executive officers;

4. to transact such other business as may properly come before the meeting and any adjournments or postponements thereof.

Only shareholders of record at the close of business on January 8, 2018 are entitled to notice of, and to vote at, the annual meeting.

By Order of the Board of Directors,

SCOT F. ROGERS

Secretary

Seattle, Washington

January 26, 2018

YOUR VOTE IS IMPORTANT!

Whether or not you attend the annual meeting, it is important that your shares be represented and voted at the meeting. Therefore, please promptly vote and submit your proxy by phone, over the Internet, or by signing, dating, and returning the accompanying proxy card in the enclosed, prepaid, return envelope. If you decide to attend the annual meeting and are a registered shareholder, or have obtained a Legal Proxy from your broker, you will be able to vote in person, even if you have previously submitted your proxy. Voting via the Internet is a valid proxy voting method under the laws of the State of Washington (our state of incorporation).

Important Notice Regarding the Availability of Proxy Materials for

the Company s Annual Meeting of Shareholders on March 15, 2018.

The F5 Networks, Inc. Proxy Statement and 2017 Annual Report to Shareholders are available online at

www.proxyvote.com and www.f5.com/about-us/investor-relations.

Please do not return the enclosed paper ballot if you are

voting over the Internet or by telephone.

VOTE BY INTERNET

www.proxyvote.com

24 hours a day/7 days a week

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time on March 14, 2018. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

VOTE BY TELEPHONE

1-800-690-6903 via touch tone

24 hours a day/7 days a week

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time on March 14, 2018. Have your proxy card in hand when you call and then follow the instructions.

Your cooperation is appreciated since a majority of the shares of Common Stock entitled to vote must be represented, either in person or by proxy, to constitute a quorum for the conduct of business.

Please note that brokers may not vote your shares on the election of directors or on the advisory vote on compensation in the absence of your specific instructions as to how to vote. Please vote your proxy so your vote can be counted.

F5 NETWORKS, INC.

401 Elliott Avenue West

Seattle, Washington 98119

PROXY STATEMENT

FISCAL YEAR 2017 ANNUAL MEETING OF SHAREHOLDERS

F5 Networks, Inc. (the Company) is furnishing this Proxy Statement and the enclosed proxy in connection with the solicitation of proxies by the Board of Directors of the Company (the Board of Directors or the Board) for use at the annual meeting of shareholders to be held on March 15, 2018, at 11:00 a.m., Pacific Time, at the Company offices located at 351 Elliott Ave. West, Seattle, Washington 98119 and at any adjournments thereof (the Annual Meeting). As used herein, we, us, our, F5 or the Company refers to F5 Networks, Inc., a Washington corporation. These materials are being mailed to shareholders on or about January 26, 2018. The Company s principal executive offices are located at 401 Elliott Avenue West, Seattle, Washington 98119. The Company s telephone number at that location is 206-272-5555.

PROXY SUMMARY

This summary highlights information contained elsewhere in the proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting of Shareholders

Time and Date March 15, 2018 at 11:00 a.m. PT

Place F5 Networks, Inc., 351 Elliott Avenue West, Seattle, Washington 98119

Record Date Shareholders as of January 8, 2018 are entitled to vote

Meeting Agenda

- Election of ten (10) directors listed in this Proxy Statement and on the proxy card
- Ratification of PricewaterhouseCoopers LLP (PWC) as our independent registered public accounting firm for fiscal year 2018
- Advisory vote on executive compensation
- Transact other business that may properly come before the meeting

Voting Matters and Vote Recommendation

Proposal	*Board Vote Recommendation*	*Page References for More Detail*
Proposal 1. To elect ten (10) directors nominated by the Board to hold office until the annual meeting of shareholders for fiscal year 2018	**FOR** (each nominee)	page 47
Proposal 2. To ratify the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2018	FOR	page 48
Proposal 3. To conduct an advisory vote to approve the compensation of our named executive officers	FOR	page 49

Board & Governance Highlights

- Independent Board Chair
- 8 of 10 Board Members (including nominees) are Independent
- Declassified Board all Directors elected annually beginning at the annual meeting for fiscal year 2015
- Share Ownership Guidelines for Executives & Directors
- Majority Voting for All Directors
- Annual Board Self-Assessment Process
- Independent Directors Meet Without Management Present
- Prohibition on Hedging, Pledging and Short Sale of Company Stock

Performance Highlights

- Record annual revenue $2.1 billion, up 4.8% over fiscal year 2016.
- Record cash flows from operations of $740 million.
- Record GAAP net income of $420.8 million.
- $600 million returned to shareholders through stock buybacks.

Awards and Company Recognition

- F5 was named a Leader in Gartner s Magic Quadrant for Web Application Firewalls.
- For the second year in a row, F5 was named among America s Most JUST Companies. This Forbes survey celebrating companies with company values that include transparency, worker pay and benefits, supply chain impact, community wellbeing, leadership, ethics, environmental impact and others.
- CRN 2017 Security 100 included F5 among the top application security vendors.
- Women of the Channel: F5 had five of its female channel leaders recognized in the honors program from CRN Magazine / The Channel Company celebrating women whose channel expertise and vision deserve recognition.

Compensation Policies and Practices Linked to Shareholder Value Creation and Mitigation of Risk

- We emphasize pay for performance and correlate executive compensation with the Company s business objectives and performance, and the creation of shareholder value.

Incentive-based compensation is at risk if certain threshold performance metrics are not achieved.

No excise tax gross-ups the Company does not provide golden parachute excise tax gross-ups upon a change in control of the Company.

The Company offers its executive officers only modest perquisites that are supported by a business interest and are consistent with broad-based benefit plans available to other employees.

Independent compensation consultant the Committee retains an independent compensation consulting firm which provides no other services to the Company other than services for the Committee.

Stock Ownership Guidelines the Board and Company executives are subject to stock ownership requirements that encourage alignment with the interests of shareholders.

Clawback policy incentive compensation for all of the NEOs may be subject to recoupment in the event the Company restates its reported financial results to correct a material accounting error on an interim or annual financial statement included in a report on Form 10-Q or 10-K due to material noncompliance with a financial reporting requirement.

No hedging or pledging of stock executive officers are prohibited from entering into hedging or pledging transactions or trading in puts, calls or other derivatives of the Company s Common Stock or otherwise engaging in short sales of Common Stock of the Company.

No re-pricing of options under the terms of the F5 Networks, Inc. 2014 Incentive Plan, the re-pricing of underwater options is prohibited absent shareholder approval.

Double-trigger change of control agreements the Company s change of control agreements with its executives contain a double trigger feature.

Annual Advisory Vote on Executive Compensation.

Director Nominees

The following table provides summary information about each director nominee. Each director is a continuing director and all directors are elected annually by a majority of votes cast.

Name	Age	Director Since	Occupation	Independent	Other Public Boards	Audit	Compensation	Nominating & Governance
A. Gary Ames	73	7/2004	Retired President and Chief Executive Officer, MediaOne International				M	C
Sandra E. Bergeron	59	1/2013	Board Member, Sophos Group PLC		X		C	M
Deborah L. Bevier	66	7/2006	Principal, DL Bevier Consulting LLC			M	M	
Jonathan C. Chadwick	51	8/2011	Board Member, Cognizant and Board Member, ServiceNow. Former Executive Vice President and Chief Financial Officer/Chief Operating Officer, VMware		X	C, F		
Michael L. Dreyer	54	10/2012	Chief Operations Officer, Silicon Valley Bank		X	M	M	
Alan J. Higginson	70	5/1996	Chairman of the Board, F5 Networks, Inc.; Former Chairman, Hubspan, Inc.				M	M
Peter S. Klein	55	3/2015	Board Member, Apptio Inc. Retired Chief Financial Officer, Microsoft		X	M, F		
François Locoh-Donou	46	4/2017	President and Chief Executive Officer, F5 Networks, Inc.					
John McAdam	66	7/2000	Board Member at Tableau Software, Apptio and Nutanix.		X			

			Former President and Chief Executive Officer, F5 Networks, Inc.			
Stephen M. Smith	61	1/2013	Chief Executive Officer and President, Equinix, Inc.	X	M	M

C = Chair

M = Member

F = Financial Expert

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QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND THESE PROXY MATERIALS

Why am I receiving these materials?

You are receiving these materials because you are a shareholder of the Company as of the close of business on January 8, 2018 (the Record Date) and are entitled to receive notice of the Annual Meeting and to vote on matters that will be presented at the meeting. This Proxy Statement contains important information regarding our Annual Meeting, the proposals on which you are being asked to vote, information you may find useful in determining how to vote, and information about voting procedures.

How does the Board of Directors recommend that I vote?

The Board of Directors recommends that you vote:

- **FOR** the election of A. Gary Ames, Sandra E. Bergeron, Deborah L. Bevier, Jonathan C. Chadwick, Michael L. Dreyer, Alan J. Higginson, Peter S. Klein, François Locoh-Donou, John McAdam and Stephen M. Smith as directors to hold office until the annual meeting of shareholders for fiscal year 2018;

- **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2018; and

- **FOR** the approval, on an advisory basis, of the compensation of our named executive officers.

Will there be any other items of business on the agenda?

The Company is not aware, as of the date of this Proxy Statement, of any matters to be voted upon at the Annual Meeting other than those stated in this Proxy Statement and the accompanying Notice of Annual Meeting of Shareholders. If any other items of business or other matters are properly brought before the Annual Meeting, your proxy gives discretionary authority to the persons named on the proxy card with respect to those items of business or other matters. The persons named on the proxy card intend to vote the proxy in accordance with their best judgment.

Who is entitled to vote at the Annual Meeting?

Only holders of our common stock, no par value (the Common Stock), at the close of business on the Record Date may vote at the Annual Meeting. We refer to the holders of Common Stock as shareholders throughout this proxy statement. Each shareholder is entitled to one vote for each share of Common Stock held as of the Record Date.

What constitutes a quorum, and why is a quorum required?

We need a quorum of shares of Common Stock eligible to vote to conduct business at our Annual Meeting. A quorum exists when at least a majority of the outstanding shares entitled to vote at the close of business on the Record Date are represented at the Annual Meeting either in person or by proxy. As of the close of business on the Record Date, we had 61,844,264 shares of Common Stock outstanding and entitled to vote at the Annual Meeting, meaning that 30,922,133 shares of Common Stock must be represented in person or by proxy to have a quorum. Abstentions and broker non-votes (as described below) will also count towards the quorum requirement. Your shares will be counted toward the number needed for a quorum if you: (i) submit a valid proxy card or voting instruction form, (ii) give proper instructions over the telephone or on the Internet, or (iii) in the case of a shareholder of record, attend the

Annual Meeting in person.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

Shareholder of Record. You are a shareholder of record if at the close of business on the Record Date your shares were registered directly in your name with American Stock Transfer, our transfer agent.

Beneficial Owner. You are a beneficial owner if at the close of business on the Record Date your shares were held by a brokerage firm or other nominee and not in your name. Being a beneficial owner means that, like many of our shareholders, your shares are held in street name. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares by following the voting instructions your broker or other nominee provides. If you wish to vote the shares you own beneficially at the meeting, you must first request and obtain a legal proxy from your broker or other nominee. If you do not provide your broker or nominee with instructions on how to vote your shares or a legal proxy, your broker or nominee will be able to vote your shares with respect to some, but not all, of the proposals. Please see *What will happen if I do not vote my shares?* and *What if I do submit my proxy but do not specify how my shares are to be voted?* for additional information.

How do I vote?

Shareholders of Record. If you are a shareholder of record, there are several ways for you to vote your shares:

Voting by Mail. You may submit your vote by completing, signing and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the proxy card. Proxy cards submitted by mail must be received no later than March 14, 2018 to be voted at the Annual Meeting. *If you vote by telephone or on the Internet, please do not return your proxy card unless you wish to change your vote*.

Voting by Telephone. You may vote by telephone by using the toll-free number listed on your proxy card.

Voting on the Internet. You may vote on the Internet by using the voting portal found at www.proxyvote.com. As with telephone voting, you can confirm that your instructions have been properly recorded.

Voting in Person at the Annual Meeting. You may vote your shares in person at the Annual Meeting. Even if you plan to attend the Annual Meeting in person, we recommend that you also submit your proxy card or voting instructions or vote by telephone or via the Internet by the applicable deadline so that your vote will be counted if you later decide not to attend the meeting.

Beneficial Owners. You may vote by the method explained on the proxy card or the information you receive from the broker, nominee or other record holder. If a beneficial shareholder would like to attend the shareholders meeting and cast a vote in person, they may do so by requesting a legal proxy from their bank or broker. Instructions for obtaining the legal proxy are on the Vote Instruction Form or Notice of Internet Availability.

Can I revoke or change my vote after I submit my proxy?

Yes. You may revoke or change your vote after submitting your proxy by one of the following procedures:

Delivering a proxy revocation or another proxy bearing a later date to the Secretary of the Company at 401 Elliott Avenue West, Seattle, Washington 98119 before or at the Annual Meeting;

If you have voted by internet or telephone and still have your control number, you may change your vote via internet or telephone up until 11:59 p.m. Eastern Time the day before the Annual Meeting;

Shareholders of Record by attending the Annual Meeting and voting in person;

Beneficial Owners by obtaining a legal proxy from your broker or other nominee, attending the Annual Meeting and voting in person.

Please note that attendance alone at the Annual Meeting will not revoke a proxy; you must actually vote in person at the meeting.

What will happen if I do not vote my shares?

Shareholders of Record. If you are the shareholder of record of your shares and you do not vote by mail, by telephone, via the Internet or in person at the Annual Meeting, your shares will not be voted at the Annual Meeting.

Beneficial Owners. If you are the beneficial owner of your shares, your broker or nominee may vote your shares only on those proposals on which it has discretion to vote. Under applicable stock exchange rules, your broker or nominee does not have discretion to vote your shares on non-routine matters, which include Proposals 1 and 3. However, your broker or nominee does have discretion to vote your shares on routine matters such as Proposal 2.

What if I do submit my proxy but do not specify how my shares are to be voted?

If you are a shareholder of record and you submit a proxy, but you do not provide voting instructions, your shares will be voted:

- **FOR** the election of A. Gary Ames, Sandra E. Bergeron, Deborah L Bevier, Jonathan C. Chadwick, Michael L. Dreyer, Alan J. Higginson, Peter S. Klein, François Locoh-Donou, John McAdam and Stephen M. Smith as directors to hold office until the annual meeting of shareholders for fiscal year 2018;

- **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2018; and

- **FOR** the approval, on an advisory basis, of the compensation of our named executive officers.

What is the effect of an abstention or a broker non-vote ?

Brokers or other nominees who hold shares of Common Stock for a beneficial owner have the discretion to vote on routine proposals when they have not received voting instructions from the beneficial owner at least ten days prior to the Annual Meeting. A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. If you abstain from voting on a proposal, or if a broker or nominee indicates it does not have discretionary authority to vote on a proposal, the shares will be counted for the purpose of determining if a quorum is present, but will not be included in the vote totals with respect to the proposal. Furthermore, any abstention or broker non-vote will have no effect on the proposals to be considered at the Annual Meeting since these actions do not represent votes cast by shareholders.

What is the vote required for each proposal?

Proposal	**Vote Required***	**Broker Discretionary Voting Allowed**
Proposal 1 Election of ten (10) directors to hold office until the annual meeting of shareholders for fiscal year 2018 and until his or her successor is elected and qualified	Majority of Votes Cast	No
Proposal 2 Advisory vote to ratify the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2018	Majority of Votes Cast	Yes
Proposal 3 Advisory vote to approve executive compensation	Majority of Votes Cast	No

* Under Washington law and the Company s Third Amended and Restated Articles of Incorporation (the Articles) and Fifth Amended and Restated Bylaws (the Bylaws), if a quorum exists at the meeting, a nominee for director in an

uncontested election will be elected by the vote of the majority of votes cast. A majority of votes cast means that the number of shares cast FOR a director s election exceeds the number of votes cast AGAINST that director. If a director nominee who is an incumbent does not receive the requisite votes, that director s term will end on the earliest of (i) the date on which the Board appoints an individual to fill the office held by that director; (ii) 90 days after the date on which an inspector determines the voting results as to that director; or (iii) the date of the director s resignation. With respect to Proposals 2 and 3, a majority of votes cast means that the number of votes cast FOR the matter exceeds the number of votes cast AGAINST the respective matter.

With respect to Proposal 1, you may vote FOR the nominee, AGAINST the nominee, or you may vote ABSTAIN as to the nominee. The nominee will be elected if he receives more FOR votes than AGAINST votes. Proxies may not be voted for more than ten (10) directors and shareholders may not cumulate votes in the election of directors.

With respect to Proposals 2 and 3, you may vote FOR, AGAINST or ABSTAIN as to each proposal.

What happens if the Annual Meeting is adjourned or postponed?

Your proxy will still be effective and will be voted at the rescheduled Annual Meeting. You will still be able to change or revoke your proxy until it is voted.

Who is making this proxy solicitation and paying for the costs of this proxy solicitation?

The Board of Directors of the Company is soliciting the proxies accompanying this Proxy Statement. The Company will pay all of the costs of this proxy solicitation. However, you will need to obtain your own Internet access if you choose to access the proxy materials and/or vote over the Internet. In addition to mail solicitation, officers, directors, and employees of the Company may solicit proxies personally or by telephone, without receiving additional compensation. The Company has retained Advantage Proxy to assist with the solicitation of proxies in connection with the Annual Meeting. The Company will pay Advantage Proxy customary fees, which are expected to be $5,750 plus expenses. The Company, if requested, will pay brokers, banks, and other fiduciaries that hold shares of Common Stock for beneficial owners for their reasonable out-of-pocket expenses of forwarding these materials to shareholders.

How can I find the results of the Annual Meeting?

We intend to announce preliminary voting results at the Annual Meeting and publish final results on a Form 8-K within four business days of the Annual Meeting. The Form 8-K will be available on our website at www.f5.com under the About F5 Investor Relations Corporate Governance Governance Documents View All SEC Filings section.

CORPORATE GOVERNANCE

Committees of the Board

The Board of Directors has standing Audit, Compensation, and Nominating and Corporate Governance Committees (collectively, the Standing Committees). Each of the Standing Committees has a charter, copies of which are available on our website at www.f5.com under the About F5 Investor Relations Corporate Governance section.

Audit Committee. As described more fully in the Audit Committee charter, the functions of the Audit Committee include selecting, evaluating and, if necessary, replacing the Company s independent registered public accounting firm; reviewing and approving the planned scope, proposed fee arrangements and results of the annual audit; approving any proposed non-audit services to be provided by the independent registered public accounting firm; overseeing the adequacy of accounting and financial controls; reviewing the independence of the independent registered public accounting firm; and overseeing the Company s financial reporting process on behalf of the Board of Directors. The current Audit Committee members are Messrs. Chadwick (chairman), Dreyer and Klein and Ms. Bevier. The Board of Directors has determined that Messrs. Chadwick and Klein are audit committee financial experts as defined in Item 407 of Regulation S-K. Each current member of the Audit Committee is, and each member of the Audit Committee during fiscal year 2017 was, an independent director as defined by the Nasdaq Listing Rules (as independence is currently defined in Rule 5605(a)(2)).

Compensation Committee. The Compensation Committee conducts an annual review to determine whether the Company s executive compensation program is meeting the goals and objectives set by the Board of Directors. The Compensation Committee recommends for approval by the Board of Directors the compensation for the Chief Executive Officer and directors, including salaries, incentive compensation levels and stock awards, and reviews and approves compensation proposals made by the Chief Executive Officer for the other executive officers. The Compensation Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Compensation Committee or of the Board of Directors or to Company officers to perform certain of its duties on its behalf. The Compensation Committee members are Ms. Bergeron (chair) and Ms. Bevier and Messrs. Ames, Dreyer, Higginson and Smith. Each current member of the Compensation Committee is, and each member of the Compensation Committee during fiscal year 2017 was, an independent director as defined by the Nasdaq Listing Rules. In fiscal year 2017, the Compensation Committee retained an outside independent compensation consultant, Mercer, to advise the Compensation Committee on executive compensation issues. Mercer provided the Compensation Committee peer and survey group cash and equity compensation data, including 50th and 75th percentile base salary, total cash, long-term incentive and total direct compensation data. For additional information about the Compensation Committee and the information provided by Mercer to the Compensation Committee, see the description of the Compensation Committee s activities in the Executive Compensation Compensation Discussion and Analysis section. The Compensation Committee has determined that the work of Mercer has not raised any conflict of interest as defined in Item 407 of Regulation S-K.

Nominating and Corporate Governance Committee. The functions of the Nominating and Corporate Governance Committee (the Nominating Committee) are to identify new potential Board members, recommend Board nominees, evaluate the Board s performance, and provide oversight of corporate governance and ethical conduct. The Nominating Committee members are Messrs. Ames (chairman), Higginson and Smith, and Ms. Bergeron. Each current member of the Nominating Committee is, and each member of this committee during fiscal year 2017 was, an independent director as defined by the Nasdaq Listing Rules.

Board Leadership

The Company currently separates the roles of Chief Executive Officer and Chairman of the Board. Mr. Locoh-Donou, the President and Chief Executive Officer, is responsible for setting the strategic direction of the Company and for the day-to-day leadership and performance of the Company. Mr. Higginson, the Chairman of the Board, sets the agenda for and presides at Board meetings, and coordinates the Board s communications with Mr. Locoh-Donou and the Company s senior management team. The Board believes this current structure balances the needs for the President and Chief Executive Officer to run the Company on a day-to-day basis with the benefit provided to the Company by Mr. Higginson s perspective as an independent member of the Board.

Risk Oversight

Assessing and managing risk is the responsibility of the Company s senior management team. The Board of Directors oversees certain aspects of the Company s risk management efforts, and reviews and consults at each of the regular quarterly Board meetings with the Company s senior management team and the Company s Vice President of Internal Audit on strategic and operational opportunities, challenges and risks faced by the Company. In fiscal year 2010, the Company implemented an enterprise risk management program. The Company retained Ernst & Young to assist the Company in performing an enterprise risk assessment to identify key strategic, operating, legal and compliance, and financial risks, evaluate the significance of those risks, formulate a risk profile which identified relevant risk levels and management control efforts, and develop action plans to address these key risks. The Company s senior management team regularly reviews and evaluates these key risks and the effectiveness of the Company s risk management programs, and reported back to the Audit Committee and the full Board of Directors on a regular basis during fiscal year 2017. In addition, the Audit Committee oversees the Company s financial risk exposures, financial reporting, and internal controls. The Compensation Committee oversees the Company s executive compensation programs, monitors the administration of the Company s various equity compensation plans, and conducts compensation-related risk assessments. The Nominating Committee oversees risk related to the Company s overall corporate governance profile and ratings; board and committee composition and structure; and director independence. Each Committee presents regular reports to the full Board of Directors. The Board s role in risk oversight has not had any effect on the Board s leadership structure.

Compensation Committee Interlocks and Insider Participation

The following directors served as members of the Compensation Committee during some or all of fiscal year 2017: Mses. Bergeron (chair) and Bevier and Messrs. Ames, Dreyer, Higginson, and Smith. None of these persons has at any time been an officer or employee of the Company. During fiscal year 2017, none of the Company s executive officers served as a member of the board of directors or compensation committee of any entity that has had one or more executive officers that served as a member of the Company s Board of Directors or Compensation Committee.

Related Person Transactions Policy and Procedures

As set forth in the written charter of the Audit Committee of the Board of Directors, any related person transaction involving a Company director or executive officer must be reviewed and approved by the Audit Committee. Any member of the Audit Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote on the approval or ratification of the transaction. Related persons include any director or executive officer, certain shareholders and any of their immediate family members (as defined by SEC regulations). To identify any related person transaction, the Company requires each director and executive officer to complete a questionnaire each year requiring disclosure of any prior or proposed transaction with the Company in which the director, executive officer or any immediate family member might have an interest. Each director and executive officer is directed to notify the Company s Executive Vice President and General Counsel of any such transaction that arises during the year, and the Company s Chief Financial Officer reports to the Audit Committee on a quarterly basis regarding any potential related person transaction. In addition, the Board of Directors determines on an annual basis which directors meet the definition of independent director under the Nasdaq Listing Rules and reviews any director relationship that would potentially interfere with his or her exercise of independent judgment in carrying out the responsibilities of a director. A copy of the Company s Policy and Procedures for Approving Related-Person Transactions is available on our website at www.f5.com under the About F5 Investor Relations Corporate Governance section.

Certain Relationships and Related Person Transactions

The Company s Articles limit the liability of the Company s directors for monetary damages arising from their conduct as directors, except to the extent otherwise required by the Articles of Incorporation and the Washington Business Corporation Act. The Articles also provide that the Company may indemnify its directors and officers to the fullest extent permitted by Washington law, including in circumstances in which indemnification is otherwise discretionary under Washington law. The Company has entered into indemnification agreements with the Company s directors and certain officers for the indemnification of, and advancement of expenses to, these persons to the fullest extent permitted by law. The Company also intends to enter into these agreements with the Company s future directors and certain future officers.

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Meetings of the Board of Directors and Standing Committees; Attendance at Annual Meeting

The Company s Board of Directors met or acted by unanimous written consent 11 times during fiscal year 2017. The Audit Committee met 13 times and the Compensation Committee met or acted by unanimous written consent 12 times. During fiscal year 2017, the Nominating and Corporate Governance Committee met 8 times. The outside directors met 3 times during fiscal 2017, with no members of management present. Each member of the Board of Directors attended 75% or more of the Board of Directors meetings during fiscal year 2017. Each member of the Board of Directors who served on one or more of the Standing Committees attended at least 75% of the total number of meetings of the Standing Committees on which the director served during fiscal year 2017. All directors are also expected to be present at the Company s annual meetings of shareholders. All directors attended the Company s annual meeting of shareholders for fiscal year 2017 except Messrs. Chadwick and Smith.

Code of Ethics for Senior Financial Officers

We have adopted a Code of Ethics for Senior Financial Officers that applies to certain of our senior officers, including our Chief Executive Officer and Chief Financial Officer. The Code of Ethics for Senior Financial Officers is posted under the About F5 Investor Relations Corporate Governance section of the Company s website, www.f5.com. A copy of the Code of Ethics may be obtained without charge by written request to the Company s Corporate Secretary. We also have a separate Code of Conduct that applies to all of the Company s employees, which may also be found under the About F5 Investor Relations Corporate Governance section of our website.

BOARD OF DIRECTORS

The Board of Directors of the Company currently consists of ten (10) directors. The Board of Directors has nominated the following ten (10) directors for election to the Board of Directors at the Annual Meeting:

Name	**Director Since**
A. Gary Ames	7/2004
Sandra E. Bergeron	1/2013
Deborah L. Bevier	7/2006
Jonathan C. Chadwick	8/2011
Michael L. Dreyer	10/2012
Alan J. Higginson	5/1996
Peter S. Klein	3/2015
François Locoh-Donou	4/2017
John McAdam	7/2000
Stephen M. Smith	1/2013

All directors or their respective successors will stand for election on an annual basis. The nominees have consented to serve as directors of the Company if elected. If a nominee declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for a substitute nominee as the Company may designate.

Director Independence

The Nasdaq Listing Rules require that a majority of the Company s directors be independent, as defined by Nasdaq Listing Rule 5605(a)(2) and determined by the Board of Directors. The Board of Directors consults with the Company s legal counsel to ensure that the Board of Directors determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent. After a review of any relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent registered public accounting firm, the Board of Directors has determined that the following directors and nominees are independent: A. Gary Ames, Sandra E. Bergeron, Deborah L. Bevier, Jonathan C. Chadwick, Michael L. Dreyer, Alan J. Higginson, Peter S. Klein and Stephen M. Smith. Because they are the Company s current and former President and Chief Executive Officer, Messrs. Locoh-Donou and McAdam, respectively, are not considered independent.

Stock Ownership Guidelines for Directors

In October 2010, the Board of Directors adopted stock ownership guidelines for the Company s directors and executive officers. Directors are required to own shares of Common Stock equal in value to five times the directors annual cash retainer. Directors are required to achieve this ownership level within three years of joining the Board. Shares of Common Stock that count toward satisfaction of the guidelines include shares purchased on the open market, shares obtained through stock option exercises, shares obtained through grants of Restricted Stock Units (RSUs), and shares beneficially owned in a trust, by a spouse and/or minor children. Shares owned by directors are valued at the greater of (i) the price at the time of acquisition/purchase or (ii) the current market value.

Nominees and Continuing Directors

The following individuals have been nominated for election to the Board of Directors or will continue to serve on the Board of Directors after the Annual Meeting:

François Locoh-Donou, age 46, has served as our President, Chief Executive Officer and a director since April 2017. Prior to joining us, Mr. Locoh-Donou served as Chief Operating Officer at Ciena, a network strategy and technology company, from November 2015 to January 2017 and as Senior Vice President, Global Products Group, from August 2011 until November 2015. Mr. Locoh-Donou serves on the advisory board of Jhpiego, a non-profit global health affiliate of Johns Hopkins University. He is also the co-founder and Chairman of Cajou Espoir, a cashew-processing facility that employs several hundred people in rural Togo, 80 percent of whom are women. Mr. Locoh-Donou holds an engineering degree from École Centrale de Marseille and a Masters in Sciences from Télécom ParisTech in France and a M.B.A. from the Stanford Graduate School of Business.

Mr. Locoh-Donou has led the Company since April 2017. Mr. Locoh-Donou brings nearly two decades of enterprise technology experience building a wide range of products, teams and operations around the world. He has held numerous successive leadership positions prior to joining the Company including Vice President and General Manager, EMEA; Vice President, International Sales; and Vice President, Marking. Prior to joining Ciena, he held research and development roles for a French opto-electronics company. He brings multidisciplinary and multinational experience, ranging from product development to operations to sales. He is the sole member of management on the Board of Directors and serves a critical role in the communication between the Board of Directors and the Company s senior management team.

Alan J. Higginson, age 70, has served as Board of Directors chair since April 2004 (with the exception of the period of July 1, 2015 to December 13, 2015 when he served as our Lead Independent Director), and as one of our directors since May 1996. Mr. Higginson served as Chairman of Hubspan, Inc., an e-business infrastructure provider, from September 2009 to March 2012. He served as President and Chief Executive Officer of Hubspan from August 2001 to September 2007. From November 1995 to November 1998, Mr. Higginson served as President of Atrieva Corporation, a provider of advanced data backup and retrieval technology. Mr. Higginson also serves as a director of Pivot3, Inc., a privately-held company that develops and markets shared storage and virtual server appliances. Mr. Higginson also served as a director of adeptCloud Inc., a privately-held company that provides cloud-based collaboration services and Clarity Health Services, a privately-held company that provides web-based health care coordination services. Mr. Higginson holds a B.S. in Commerce and an M.B.A. from Santa Clara University.

Mr. Higginson has over 30 years of experience as a senior executive in a wide range of both public and private software and other technology companies. His experience includes leading worldwide sales organizations and the management of international joint ventures and distribution channels. He has also been active in a number of software and technology industry associations, and as an advisor to early-stage technology companies. Mr. Higginson joined our Board of Directors shortly after the Company was founded. His deep understanding of the Company s historical and current business strategies, objectives and technologies provides an important and insightful perspective for our Board of Directors.

A. Gary Ames, age 73, has served as one of our directors since July 2004. Mr. Ames served as President and Chief Executive Officer of MediaOne International, a provider of broadband and wireless communications from July 1995 until his retirement in June of 2000. From January 1990 to July 1995, he served as President and Chief Executive Officer of US West Communications, a regional provider of residential and business telephone services, and operator and carrier services. Mr. Ames also serves as a director of MMGL Corporation (formally known as Schnitzer Investment Corp.), a privately-held investment firm with interests in commercial, industrial and multi-family properties, real estate development projects, ocean shipping, and other industries. Mr. Ames served as a director of Tektronix, Inc., a publicly-traded supplier of test, measurement, and monitoring products, from 1993 to 2008; SuperValu, Inc., a publicly-traded food and drug retailer, from 2006 to 2010 and iPass, Inc., a publicly-traded enterprise mobility company, from 2002 to 2010. Mr. Ames holds a B.A. in Finance from Portland State University.

Mr. Ames has extensive experience as a senior executive and chief executive officer in the telecommunications industry in the United States, South America, Europe and Asia. He provides to the Board of Directors valuable insight into large telecommunications enterprises, which are an important customer base for the Company. For over twenty years, Mr. Ames has served on a number of other boards, as chairman of compensation and governance committees, and as a member of public company audit committees. Mr. Ames brings to the Board of Directors expertise and insight as a former chief executive officer, broad experience as director at a wide range of companies and international business experience.

Sandra E. Bergeron, age 59, has served as one of our directors since January 2013. From 2004 until 2012, Ms. Bergeron was a venture partner at Trident Capital, Inc., a venture capital firm. Ms. Bergeron currently serves on the board of directors of Qualys, Inc., a publicly-traded provider of cloud security and compliance solutions and

Sophos Group PLC, a London Stock Exchange publicly-traded provider of IT security and data protection products. Previously, she served as chairman of TraceSecurity, a privately-held provider of cloud-based security solutions and IT governance, risk and compliance management solutions and as a director of TriCipher, a privately-held secure access management company acquired by VMware in August 2010. She also served on the board of ArcSight, Inc., a publicly-traded security and compliance management company acquired by Hewlett-Packard Company in September 2010. Ms. Bergeron holds a B.A. in Business Administration from Georgia State University and a M.B.A. from Xavier University.

Ms. Bergeron has extensive experience in network and data security and related public policy issues. She has a national reputation as an expert on computer security matters. In addition, she has extensive experience as a director of public and private technology companies, and as an executive managing product development and sales teams in the computer and internet security industries.

Deborah L. Bevier, age 66, has served as one of our directors since July 2006. Ms. Bevier has been the principal of D.L. Bevier Consulting LLC, an organizational and management consulting firm, since 2004. Prior to that time, from 1996 until 2003, Ms. Bevier served as a director, President and Chief Executive Officer of Laird Norton Financial Group and its predecessor companies, an independent financial advisory services firm. From 1973 to 1996, Ms. Bevier held numerous leadership positions with KeyCorp, including chairman and Chief Executive Officer of Key Bank of Washington. Ms. Bevier served on the board of directors of Outerwall, Inc. (formerly Coinstar, Inc.), a publicly-traded multi-national provider of services to retailers from 2002 to 2014. She served on the board of directors of Fisher Communications, Inc., a publicly-traded media and communications company, from 2003 to 2010, and Puget Sound Bank, a commercial bank, from 2006 to 2008. Ms. Bevier holds a B.S. in Economics from SUNY New Paltz and a graduate degree from Stonier Graduate School of Banking at Rutgers University.

Ms. Bevier has extensive experience with both public and private companies in a wide range of areas including finance, banking, management, and organizational operations. Ms. Bevier s experience as a director of public companies in the consumer services, communications, and media industries enables her to bring a valuable perspective to our Board of Directors. In addition to Ms. Bevier s broad background, her extensive strategic, corporate governance, and compensation expertise makes her well qualified to serve on our Board of Directors.

Jonathan C. Chadwick, age 51, has served as one of our directors since August 2011. Mr. Chadwick is currently on the boards of Cognizant Corporation and ServiceNow, and he is a director and advisor to a number of private companies. Between November 2012 and April 2016, Mr. Chadwick was Executive Vice President and Chief Financial Officer/Chief Operating Officer at VMware. Prior to joining VMware, Mr. Chadwick served as the Chief Financial Officer of Skype and as a corporate vice president of Microsoft Corporation after its acquisition of Skype in October 2011. Mr. Chadwick joined Skype from McAfee where he was Executive Vice President and Chief Financial Officer from June 2010 until February 2011. From 1997 to 2010, he held various finance roles at Cisco Systems, including Senior Vice President, Chief Financial Officer Global Customer Markets, Senior Vice President, Corporate Controller and Principal Accounting Officer, and Vice President, Corporate Finance & Planning. He also worked for Coopers & Lybrand in various roles in the US and UK. Mr. Chadwick is a Chartered Accountant in England and holds an honors degree in electrical and electronic engineering from the University of Bath, UK.

Mr. Chadwick has extensive experience as a finance executive in the computer networking and security software industries. In addition, his background in high growth enterprises and significant corporate transactions brings an important and valuable perspective to our Board of Directors. As a chief financial officer of a major multi-national enterprise, his expertise in accounting and financial controls qualifies him as an audit committee financial expert as defined in Item 407 of Regulation S-K.

Michael L. Dreyer, age 54, has served as one of our directors since October 2012. Mr. Dreyer is currently the Chief Operating Officer for Silicon Valley Bank, a high-tech commercial bank, and prior to that Mr. Dreyer served as Chief Operation Officer at Monitise, a technology leader in mobile banking. Prior to joining Monitise, he was the Chief Information Officer at Visa Inc. from July, 2005 to March, 2014 where he was responsible for the company s systems and technology platforms. Before joining Visa Inc., he was Chief Information Officer of Inovant, where he oversaw the development and management of Visa s global systems technology. Previously, Mr. Dreyer held executive positions at VISA USA as Senior Vice President of processing and emerging products, and Senior Vice President of commercial solutions. He has also held senior positions at American Express, Prime Financial, Inc., Federal Deposit Insurance Corporation, Downey Savings, Bank of America, and the Fairmont Hotel Management Company.

Mr. Dreyer serves as a director of Finisar Corporation, a publicly-held company that supplies optical solutions for the communications industry. Mr. Dreyer received an M.B.A. and a B.A. in psychology from Washington State University.

Mr. Dreyer has extensive experience as an information technology executive. He brings to our Board of Directors valuable insights regarding data center operations and the role of our technology in the data center, as well as an understanding of data traffic management technologies, data security, and other networking technology trends. Mr. Dreyer s information technology and data management expertise combined with his background as a senior executive in the financial industry make him well qualified to serve on our Board of Directors.

Peter S. Klein, age 55, has served as one of our directors since March 2015. Mr. Klein has almost 25 years of experience as a senior finance executive. He served as Chief Financial Officer of WME, a global leader in sports and entertainment marketing, from January 2014 until June 2014. Prior to that, he served as Chief Financial Officer of Microsoft Corporation from November 2009 until May 2013. Mr. Klein spent over 11 years at Microsoft, including roles as Chief Financial Officer of the Server and Tools and Microsoft Business Divisions. From 1990 until 2002 Mr. Klein held senior finance roles with McCaw Cellular Communications, Orca Bay Capital, Asta Networks and Homegrocer.com. Mr. Klein holds a B.A. from Yale University and an M.B.A from the University of Washington. He currently serves on the board of directors of Apptio Inc., a publicly-traded software company.

Mr. Klein s extensive experience as a finance executive in a variety of technology companies, including experience as the Chief Financial Officer of the world s largest software company, and experience managing the finance function for significant enterprises with diverse operating models brings an important and valuable perspective to our Board of Directors. His experience as a public company chief financial officer qualifies him as an audit committee financial expert as defined in Item 407 of Regulation S-K.

John McAdam, age 66, has served as a director since July 2000 and served as the Company s President and Chief Executive Officer from July 2000 until his retirement in April 2017 (with the exception of the period of July 1, 2015 to December 13, 2015 when he served as our non-executive Board Chairman). Prior to joining us, Mr. McAdam served as General Manager of the Web server sales business at International Business Machines Corporation from September 1999 to July 2000. From January 1995 until August 1999, Mr. McAdam served as the President and Chief Operating Officer of Sequent Computer Systems, Inc., a manufacturer of high-end open systems, which was sold to International Business Machines Corporation in September 1999. Mr. McAdam serves as a director of Tableau Software, a publicly-held company that provides business intelligence software, Apptio, a publicly-held company that provides technology business management and Nutanix, a publicly-held provider of converged infrastructure solutions. Mr. McAdam holds a B.S. in Computer Science from the University of Glasgow, Scotland.

Mr. McAdam led the Company for over 17 years. During his tenue with the Company, annual revenues grew from $108.6 million in fiscal year 2000 to $2.1 billion in fiscal year 2017. He was the driving force behind the Company s execution and growth which resulted in the Company s history of strong operating results and significant growth in shareholder value. Mr. McAdam brings to the Board of Directors a comprehensive knowledge of and valuable insight into the Company s technology, strategy, competitive opportunities, operations, financial position, and relationships within the industry analyst and investment communities.

Stephen M. Smith, age 61, has served as one of our directors since January 2013. Mr. Smith is currently Chief Executive Officer and President, and a member of the board of directors of Equinix, Inc., a provider of global data center services. Prior to joining Equinix in April 2007, Mr. Smith served as Senior Vice President at HP Services, a business segment of Hewlett-Packard Co., from January 2005 to October 2006. Prior to joining Hewlett-Packard Co., Mr. Smith served as Vice President of Global Professional and Managed Services at Lucent Technologies Inc., a communications solutions provider. Mr. Smith also held various management and sales positions during his 17 years with Electronic Data Systems Corporation (EDS), a business and technology solutions company, including Chief Sales Officer, President of EDS Asia-Pacific, and President of EDS Western Region. Mr. Smith serves as a director of NetApp, a publicly-held company that provides software, systems and services to manage data. Mr. Smith previously served on the board of directors of Volterra Semiconductor Corporation, a publicly-traded company and as a director of the privately-held company Actian during the past five years. Mr. Smith graduated from the U.S. Military Academy at West Point and holds a B.S. in Engineering.

The combination of Mr. Smith s experience as chief executive officer and director of a public company, and his executive leadership and management experience at technology services and critical infrastructure companies make him well-qualified to serve on our Board of Directors. He brings to our Board of Directors a deep understanding of competitive technologies and of the role and value of our technology in data centers.

There are no family relationships among any of the Company s directors or executive officers. None of the corporations or other organizations referred to in the biographical information set forth above is a parent, subsidiary or other affiliate of the Company.

Director Nomination

Criteria for Nomination to the Board of Directors. The Nominating Committee considers the appropriate balance of experience, skills and characteristics required of the Board of Directors, and seeks to ensure that at least a majority of the directors are independent under the Nasdaq Listing Rules, that members of the Company s Audit Committee meet the financial literacy requirements under the Nasdaq Listing Rules and that at least one of them qualifies as an audit committee financial expert under the rules of the Securities and Exchange Commission. Nominees for director are selected on the basis of their depth and breadth of experience, integrity, ability to work effectively as part of a team, understanding of the Company s business environment, and willingness to devote adequate time to Board duties.

In evaluating director candidates, regardless of the source of the nomination, the Nominating Committee will consider, in accordance with its Charter, the composition of the Board as a whole, the requisite characteristics (including independence, diversity, skills and experience) of each candidate, and the performance and continued tenure of incumbent Board members. With respect to diversity, we broadly construe diversity to mean not only diversity of race, gender and ethnicity, but also diversity of opinions, perspectives, and professional and personal experiences. Nominees are not discriminated against on the basis of race, religion, national origin, sexual orientation, disability or any other basis proscribed by law. The Board believes that the backgrounds and qualifications of the directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. The Board therefore considers diversity in identifying nominees for director, but does not have a separate policy directed toward diversity.

Shareholder Proposals for Nominees. The Nominating Committee will consider written proposals from shareholders for nominees for director. Any such nominations should be submitted to the Nominating Committee c/o the Corporate Secretary and should include the following information: (a) all information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the Exchange Act) (including such person s written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) the name(s) and address(es) of the shareholders(s) making the nomination and the number of shares of Common Stock that are owned beneficially and of record by such shareholders(s); (c) appropriate biographical information and a statement as to the qualification of the nominee and (d) any information required by the Bylaws of the Company. Such nominations should be submitted in the time frame described in the Bylaws of the Company and under the caption *Shareholder Proposals for the Annual Meeting for Fiscal Year 2018* below.

Process for Identifying and Evaluating Nominees. The process for identifying and evaluating nominees to fill vacancies on the Board of Directors is initiated by conducting an assessment of critical Company and Board needs, based on the present and future strategic objectives of the Company and the specific skills required for the Board as a whole and for each Board Committee. A third-party search firm may be used by the Nominating Committee to identify qualified candidates. These candidates are evaluated by the Nominating Committee by reviewing the candidates biographical information and qualifications and checking the candidates references. Serious candidates meet with all members of the Board and as many of the Company s executive officers as practical. Using the input from such interviews and the information obtained by the Nominating Committee, the full Board determines whether to appoint a candidate to the Board.

The Nominating Committee will evaluate the skills and experience of existing Board members against the Company s critical needs in making recommendations for nomination by the full Board of candidates for election by the shareholders. The nominees to the Board of Directors described in this Proxy Statement were approved unanimously by the Company s directors.

The Nominating Committee expects that a similar process will be used to evaluate nominees recommended by shareholders. However, to date, the Company has not received any shareholder s proposal to nominate a director.

Communications with Directors

Shareholders who wish to communicate with our directors may do so by contacting them c/o Corporate Secretary, F5 Networks, Inc., 401 Elliott Avenue West, Seattle, Washington 98119. As set forth in the Company s Corporate Governance Guidelines, a copy of which may be found under the About F5 Investor Relations Corporate Governance section of our website, www.f5.com, these communications will be forwarded by the Corporate Secretary to a Board member, Board committee or the full Board of Directors as appropriate.

Compensation of Directors

Prior to each annual meeting of shareholders, the Compensation Committee reviews and recommends to the Board of Directors for approval the amount and terms of any equity awards to be granted to non-employee directors. The Board of Directors approves all equity awards to be granted to non-employee directors on the date of the annual meeting of shareholders.

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended September 30, 2017.

DIRECTOR COMPENSATION FOR FISCAL YEAR 2017

Name(1)	Fees Earned or Paid in Cash ($)(3)	Stock Awards ($)(4)	Total ($)
A. Gary Ames	$ 97,500	$ 250,142	$ 347,642
Sandra E. Bergeron	$ 97,500	$ 250,142	$ 347,642
Deborah L. Bevier	$ 92,500	$ 250,142	$ 342,642
Jonathan C. Chadwick	$ 100,000	$ 250,142	$ 350,142
Michael L. Dreyer	$ 92,500	$ 250,142	$ 342,642
Alan J. Higginson	$ 185,000	$ 250,142	$ 435,142
Peter S. Klein	$ 80,000	$ 250,142	$ 330,142
John McAdam	(2)	(2)	(2)
Stephen M. Smith	$ 85,000	$ 250,142	$ 335,142

(1) François Locoh-Donou, the Company s President and Chief Executive officer, is not included in this table as he is an employee of the Company and thus receives no compensation for his services as a director.

(2) Director compensation paid to John McAdam is reflected in the Summary of Compensation Table and covers his service on the Board of Directors between April 3, 2017 to September 30, 2017.

(3) Represents the aggregate annual retainers, Board of Directors chair retainer, committee chair retainers and member committee fees. Non-employee directors of the Company are currently paid $60,000 annually for their services as members of the Board of Directors. During fiscal year 2017 Chairs of the Audit, Compensation, and Nominating and Corporate Governance Committees were paid an additional $20,000, $12,500 and $12,500, respectively, annually. The Chairman of the Board of Directors receives an additional $100,000 paid annually. In addition, the members of the Audit, Compensation, and Nominating and Corporate Governance Committees (including the Committee chairs) are paid annual payments of $20,000, $12,500 and $12,500 respectively. Directors receive cash fees in quarterly installments. The Directors served the full fiscal year as a member of the committees as designated in the Director Nominee table above in the Proxy Summary. The following table

provides a breakdown of fees earned or paid in cash:

Name	Annual Retainers ($)	Board and Committee Chair Fees ($)	Member Committee Fees ($)	Total ($)
A. Gary Ames	$ 60,000	$ 12,500	$ 25,000	$ 97,500
Sandra E. Bergeron	$ 60,000	$ 12,500	$ 25,000	$ 97,500
Deborah L. Bevier	$ 60,000	$ 0	$ 32,500	$ 92,500
Jonathan C. Chadwick	$ 60,000	$ 20,000	$ 20,000	$ 100,000
Michael L. Dreyer	$ 60,000	$ 0	$ 32,500	$ 92,500
Alan J. Higginson	$ 60,000	$ 100,000	$ 25,000	$ 185,000
Peter S. Klein	$ 60,000	$ 0	$ 20,000	$ 80,000
John McAdam	(2)	(2)	(2)	(2)
Stephen M. Smith	$ 60,000	$ 0	$ 25,000	$ 85,000

(4) This column represents the aggregate grant date fair value of RSUs granted to directors in the applicable year computed in accordance with ASC Topic 718 and determined as of the grant date. The amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information, please refer to note 1 in our financial statements, Summary of Significant Accounting Policies Stock-based Compensation, included in our Annual Report to Shareholders on Form 10-K for the year ended September 30, 2017. On March 9, 2017, the Board of Directors approved the recommendations of the Compensation Committee that each non-employee director, except for Mr. McAdam, receive a grant on March 9, 2017 of RSUs representing the right to receive 1,740 shares of Common Stock under the 2014 Plan (with a grant date fair value of $250,142 in accordance with ASC Topic 718), which will fully vest on March 14, 2018 if the non-employee director continues to serve as a director on that date. As of September 30, 2017, except for Mr. McAdam, these 1,740 RSUs awarded to each non-employee director were the only RSUs held by each such director, and they were not yet vested. See the Outstanding Equity Awards at September 30, 2017 table for the RSUs held by Mr. McAdam.

Compensation Risk Assessment

The Compensation Committee and Company management have reviewed the Company s compensation plans and programs and have concluded that none of these plans or programs is reasonably likely to have a material adverse effect on the Company. In making this evaluation, the Compensation Committee reviewed the key elements of each of the Company s compensation programs and the means by which any potential risks are mitigated, including through various elements in the Company s enterprise risk management program. In addition, in fiscal year 2017, the Company engaged Radford to conduct a thorough review of its employee compensation programs for employees below the executive officer level and to evaluate compensation components, design and to benchmark against the industry. The Company s compensation programs include a mix of base salary, cash incentive compensation, and long-term equity compensation. The incentive compensation and performance-based annual equity awards programs for the executive officers include both revenue and EBITDA targets intended to ensure that the executive officers appropriately manage operating risks, avoid excessive risk-taking, and maintain the Company s gross margin and operating margin targets while growing its revenue base.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Company s *Compensation Discussion and Analysis*. Based on this review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company s Annual Report to Shareholders on Form 10-K for the fiscal year ended September 30, 2017.

Members of the Compensation Committee:

Sandra Bergeron, Chair

A. Gary Ames

Deborah L. Bevier

Michael L. Dreyer

Alan J. Higginson

Stephen M. Smith

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis provides information about the fiscal year 2017 compensation program for our fiscal year 2017 named executive officers (NEOs) who are as follows:

- John McAdam, President and Chief Executive Officer (Mr. McAdam served as our President and CEO (and principal executive officer) from October 1, 2016 to April 3, 2017, when he retired as President and CEO but remained on the Board as a director)
- François Locoh-Donou, President and Chief Executive Officer (Mr. Locoh-Donou was appointed President and Chief Executive Officer beginning April 3, 2017)
- Andrew Reinland, Executive Vice President and Chief Financial Officer (and our principal financial officer)
- John DiLullo, Executive Vice President of Worldwide Sales
- Edward J. Eames, Executive Vice President of Business Operations
- Scot F. Rogers, Executive Vice President and General Counsel

Chief Executive Officer Transition

Mr. McAdam s CEO Compensation for Fiscal Year 2017

On July 20, 2016, the Company announced that it had formed a CEO Search Committee (CSC) to identify and recruit Mr. McAdam s replacement as President and CEO of the Company. Accordingly, in making a recommendation to the Board of Directors for Mr. McAdam s compensation for fiscal year 2017, the Compensation Committee of the Board of Directors (the Committee) considered factors relative to his upcoming retirement and the importance of his contributions during a transition to a new President and CEO, his 17 year successful tenure as President and CEO of the Company as well as market data and analysis provided by its independent compensation consultant - Mercer. In determining its recommendation, the Committee considered factors including:

- Market data compiled by Mercer on compensation paid to other CEOs on both an interim and permanent basis;
- Mr. McAdam s prior compensation with the Company as President and CEO;

- The value and stability Mr. McAdam brings to the role given his understanding of the Company and its business from his long-tenured role as President and CEO; and

- The comparable percentage increases in base salary for the other NEOs in fiscal year 2017.

After evaluating these factors, the Committee recommended a compensation package for Mr. McAdam to the full Board for approval, which consists of the following components for fiscal year 2017:

- An annual base salary rate of $965,000, which represents an approximate increase of 6% over his fiscal year 2016 annual base salary rate which is consistent with the other executives;

- A performance bonus consisting of 130% of his base salary, which is the same as his fiscal year 2016 bonus percentage; and

- An award of RSUs with such award to be for the number of shares of Company Common Stock determined by dividing $4,000,000 by the fair market value of a share of the Common Stock on the close of trading on November 1, 2016. The grant is to vest quarterly over a one-year period from November 1, 2016 provided that such grant would accelerate and vest in full upon Mr. McAdam s retirement from the Company.

After considering the recommendations of the Compensation Committee and its independent consultant, the Board approved the fiscal year 2017 compensation arrangement for Mr. McAdam.

Mr. Locoh-Donou s Compensation as CEO for Fiscal Year 2017

On January 30, 2017, following an extensive search by the CSC, the Company announced the Board of Directors had selected Mr. Locoh-Donou as the successor to Mr. McAdam as the Company s President and CEO commencing on April 3, 2017. In evaluating Mr. Locoh-Donou s on-hire compensation for Fiscal Year 2017, the Committee conducted an evaluation of an appropriate compensation arrangement for Mr. Locoh-Donou as CEO for recommendation to the Board of Directors. The Committee considered the following factors including:

- Market data compiled by Mercer on compensation paid to other CEOs;
- Mr. McAdam s prior compensation with the Company as President and CEO;
- Mr. Locoh-Donou s recent appointment to the role of CEO;
- The value of equity and other compensation Mr. Locoh-Donou would be foregoing under his then-current compensation arrangement with his prior employer;
- Costs and other considerations related to Mr. Locoh-Donou s willingness to relocate to Seattle; and
- Competitive market factors for CEO recruitment as analyzed by Mercer.

After evaluating these factors, the Committee recommended a compensation package for Mr. Locoh-Donou to the full Board for approval, which consists of the following components for fiscal year 2017:

Cash Compensation The first component was an annual base salary of $750,000. The Committee and the independent members of the Board agreed that it was appropriate to set his target base salary, bonus and total direct compensation slightly below the 50th percentile for the peer group as Mr. Locoh-Donou was a new CEO and it was appropriate that his cash compensation be at a lower level than Mr. McAdam s compensation as a long-tenured, successful CEO. Also, consistent with the Company s philosophy that the principal executive officer s compensation be more heavily weighted toward performance-based compensation, the Board set his target bonus at 130% of his annual base salary at target, for a total annual cash compensation target of $1,725,000, which also falls below the 50th percentile for the Company s proxy peer group but remained competitive for CEO recruitment.

In addition to the foregoing salary and bonus, the Company paid Mr. Locoh-Donou a one-time sign-on bonus of $800,000 to induce him to accept the position of President and CEO and a one-time $400,000 relocation bonus to cover his costs of relocation.

Equity Compensation The second component of Mr. Locoh-Donou s compensation as a principal executive officer was a grant of RSUs with a total grant date value of $12,260,000 as outlined below:

- RSUs equaling $5,760,000 in value at the time of the grant as an award to make Mr. Locoh-Donou whole for the approximate value of outstanding awards at his prior employer. Subject to Mr. Locoh-Donou s continued employment with the company, the RSUs will vest over a three-year period from the date of the grant with 33 1/3% vesting one year from the grant date, and the remaining RSUs vesting in equal quarterly increments over the following two-year period.

RSUs equaling $1,000,000 in value at the time of the grant as a one-time inducement award to incent Mr. Locoh-Donou to assume the role of President and CEO of the Company. Subject to Mr. Locoh-Donou s continued employment with the company, the RSUs will vest over a four-year period from the date of grant with 25% vesting one year from the grant date and the remaining RSUs vesting in equal quarterly increments over the following three-year period.

RSUs equaling $5,500,000 in value at the time of the grant as compensation relative to Mr. Locoh-Donou s performance of services as President and CEO of the Company vesting quarterly over a four-year period. Half (50%) of the awards will be performance-based awards subject to the achievement of performance targets set by the Committee.

The Company s Strong 2017 Performance

Record annual revenue of $2.1 billion, up 4.8% over fiscal year 2016.

Record cash flows from operations of $740 million.

Record GAAP net income of $420.8 million.

$600 million returned to shareholders through stock buybacks.

F5 was named a Leader in Gartner s Magic Quadrant for Web Application Firewalls.

For the second year in a row, F5 was named among America s Most JUST Companies. This Forbes survey celebrating companies with company values that include transparency, worker pay and benefits, supply chain impact, community wellbeing, leadership, ethics, environmental impact and others.

CRN 2017 Security 100 included F5 among the top application security vendors.

Women of the Channel: F5 had five of its female channel leaders recognized in the honors program from CRN Magazine / The Channel Company celebrating women whose channel expertise and vision deserve recognition.

Compensation Policies and Practices Linked to Shareholder Value Creation and Mitigation of Risk

We emphasize pay for performance and correlate executive compensation with the Company s business objectives and performance, and the creation of shareholder value.

Incentive-based compensation is at risk if certain threshold performance metrics are not achieved.

No excise tax gross-ups the Company does not provide golden parachute excise tax gross-ups upon a change in control of the Company.

The Company offers its executive officers only modest perquisites that are supported by a business interest and are consistent with broad-based benefit plans available to other employees.

Independent compensation consultant the Committee retains an independent compensation consulting firm which provides no other services to the Company other than services for the Committee.

Stock Ownership Guidelines the Board and Company executives are subject to stock ownership requirements that encourage alignment with the interests of shareholders.

Clawback policy incentive compensation for all of the NEOs may be subject to recoupment in the event the Company restates its reported financial results to correct a material accounting error on an interim or annual financial statement included in a report on Form 10-Q or 10-K due to material noncompliance with a financial reporting requirement.

No hedging or pledging of stock executive officers are prohibited from entering into hedging or pledging transactions or trading in puts, calls or other derivatives of the Company s Common Stock or otherwise engaging in short sales of Common Stock of the Company.

No re-pricing of options under the terms of the F5 Networks, Inc. 2014 Incentive Plan, the re-pricing of underwater options is prohibited absent shareholder approval.

Double-trigger change of control agreements the Company s change of control agreements with its executives contain a double trigger feature.

Annual Advisory Vote on Executive Compensation.

Results of 2017 Shareholder Advisory Vote on Executive Compensation

In evaluating the Company s executive compensation program for fiscal year 2017, the Committee considered the shareholder annual advisory vote on executive compensation for fiscal year 2016 which was approved by over 88% of the votes cast, which was slightly above the approval rate for fiscal year 2015. The Committee believes this vote reflects a level of approval of the executive compensation program. The Committee carefully considers feedback from shareholders regarding the Company s executive compensation, including the results of the shareholders annual advisory vote on executive compensation. The Company also meets regularly with shareholders and analysts. The Committee desires to continue to improve upon the executive compensation program to further improve the approval rates of the shareholder advisory vote and in an effort to continue to align the program with shareholder feedback the Committee made certain changes to the fiscal year 2018 executive compensation program as more thoroughly described below in the section entitled Updates to the Compensation Program for Fiscal Year 2018.

Shareholders are invited to express their views to the Committee, including as described above under the heading Communications with Directors.

Executive Compensation Program Objectives

The objectives of our executive compensation program are to align executive compensation with the Company s business objectives, performance and the creation of shareholder value, and to enable the Company to attract, retain and reward key executive officers who contribute to its long-term success. We believe the total direct compensation our NEOs received in fiscal year 2017, as set forth in the Summary Compensation Table on page 34 is consistent with and reflects these objectives.

Fiscal Year 2017 Corporate Performance

The Company s total annual revenue in fiscal year 2017, $2.1 billion, was the highest ever and an increase of 4.8% over fiscal year 2016. Cash flow from operating activities was $740 million and GAAP net income was $420.8 million, both the highest in the Company s history. We maintained very strong GAAP gross margins and operating margins throughout fiscal year 2017. GAAP gross margin and GAAP operating margin were 83.1% and 27.0% respectively for fiscal year 2017. The Company continued to maintain a very strong balance sheet, ending the fiscal year with cash and investments totaling approximately $1.3 billion.

The following is a chart reflecting the Company s growth in revenue, cash flow and net income.

Below is a chart showing the Company s cumulative total return over the past five years compared to its peer group and the Nasdaq Composite, Nasdaq Computer Index and S&P 500. Rackspace Hostings, Inc., one of the peer group companies, stopped trading in November 2016 and therefore this chart is prepared using data up to their last trading day through November 14, 2016.

While share price volatility has affected the Company s one, three and five-year returns relative to other years, the Company continued to strive to deliver shareholder value by returning $600 million to its shareholders through stock buybacks in fiscal year 2017.

Compensation Philosophy

We design the compensation programs for our executive officers to link compensation to improvements in the Company s financial performance and the creation of shareholder value. We achieve this objective through a compensation program that:

- provides a competitive total compensation package that enables the Company to attract, motivate, reward and retain executive officers who contribute to the Company s success;
- links incentive compensation to the performance of the Company and aligns the interests of executive officers with the long-term interests of shareholders; and
- establishes incentives that relate to the Company s quarterly, annual and long-term business strategies and objectives.

The Committee believes that the Company s executive compensation should also reflect each executive officer s qualifications, experience, role and personal performance, and the Company s performance achievements. Regarding the Company s incentive compensation and performance-based equity awards programs, the Compensation Committee continues to believe that revenue and EBITDA are the most appropriate measurements for these programs as the Company s ability to deliver consistent and strong financial performance is of crucial importance in maintaining and growing shareholder value, and furthers the shared interests of the Company s executive officers and shareholders. The focus on revenue growth balanced by the EBITDA targets ensures that the Company appropriately manages operating risks, avoids excessive risk-taking, and maintains its gross margin and operating margin targets. Based on feedback from shareholders, the Company believes these targets appropriately reflect and address the long-term interests of our shareholders and promote the Company s business strategies and objectives. The targets approved each fiscal year are set at a level that the Committee believes will require solid execution by the executive team, and, if achieved, will contribute to growing shareholder value.

Updates to the Compensation Program for Fiscal Year 2018

While the Compensation Committee believes that revenue and EBITDA targets continue to reflect metrics that drive the creation of shareholder value over time, the Committee also evaluates market conditions for executive compensation, shareholder feedback and the inputs of various proxy advisory services. In response to these various inputs, the Committee made changes to the long-term incentive program for fiscal year 2018 by adopting performance metrics for performance-based RSUs granted in fiscal year 2018 that are consistent with its executive compensation philosophy. But, the Committee continues to differentiate long-term incentive metrics from the short-term cash incentive program. More specifically, the Committee adopted a new set of metrics that are differentiated from the quarterly revenue and EBITDA measures, including (1) annualized total Company revenue to continue the executive focus on revenue growth while incentivizing a longer-term view of that growth; (2) year-over-year growth in Company stand-alone software revenues to recognize and reward the Company s shift to a more software focus; and (3) a relative total shareholder return component benchmarked against the S&P 500 to continue to align the compensation of the NEOs with shareholder return. In accordance with these longer term metrics, the Compensation Committee changed the vesting period for the fiscal year 2018 performance based RSUs to a four year annual vesting schedule.

Elements of Our Fiscal Year 2017 Compensation Program

To assess the competitive market pay levels for the Company s NEOs, the Committee asked its independent compensation consultant, Mercer, to review and update its peer group to ensure it consisted of organizations that are comparable to the Company in terms of complexity of operations and size; to review each of the executive positions to positions in the peer group as well as positions in a survey prepared for the Company by Radford; and to gather and analyze compensation data from the peer group proxies and published survey sources as well as providing an analysis of realized pay trends for the Company s executive officers. The Committee reviewed this data and the recommendations of Mercer and evaluated these inputs in the context of its compensation philosophy and historical pay practices. Based on this review, the Committee established the fiscal year 2017 compensation program for the NEOs.

The three primary components of our fiscal year 2017 executive compensation program are: (i) base salary (Salary), (ii) incentive compensation in the form of cash bonuses (Bonus), and (iii) long-term incentive compensation comprised of equity compensation that is both performance-based and time-based (LTI).

Other NEO Compensation

CEO Compensation

CEO compensation consists of Mr. Locoh-Donou s CEO base salary and bonus annualized while his LTI is measured as of the grant date fair market value. Other NEO Compensation is an average of the NEOs other than the CEO. Please refer to the footnotes accompanying the Summary Compensation Table for Fiscal Year 2017 below for information on computation of the values.

Factors Considered Market Analysis

The Compensation Committee conducts an annual review of the executive compensation program and uses peer and survey group data to help set proper compensation levels. The Compensation Committee has retained an outside independent compensation consultant, Mercer, to assist it in this review and to conduct a competitive review of the total direct compensation (cash and equity compensation) for the Company s executive officers. Mercer worked directly for and with the Compensation Committee and performs no other consulting or other services for the Company. The Compensation Committee instructed Mercer to collect base salary, total cash, long-term incentive, and total direct compensation data and to analyze and compare on a pay rank and position basis our executive officers compensation with the compensation paid to comparable executives as set forth in proxy statements for the peer group companies developed by Mercer and approved by the Compensation Committee.

For fiscal year 2017, in light of the Company s continued growth and evolution, the Compensation Committee directed Mercer to again review the peer group of companies used historically by the Compensation Committee to identify a group which aligns with the Company in the talent marketplace. Mercer reviewed the fiscal year 2016 peer group for continued appropriateness for talent market and executive compensation market analysis. Mercer also updated the peer group to reflect current financials, M&A activity, de-listings, or other business issues. Mercer continued to focus on companies engaged in similar lines of business and with similar scale revenues. Mercer also evaluated peers-of-peers and proxy advisor Institutional Shareholder Services (ISS) peer company selections in providing companies for consideration.

In reviewing the peer group, the Committee focused on companies that the Company competes with in the marketplace and for talent, as well as other factors identified by Mercer above. In addition, the Company s continued growth, expanding business model and security focus led the Committee to conclude that a broad range of peer companies was appropriate and included a mix of larger companies and smaller companies. Company size both in terms of revenue and market capitalization were factors that were considered, but in choosing the Peer Group Companies, the Committee believed that other factors such as similar industry and operational focus, comparable business models, growth rates, competition for executive talent and availability and quality of pay data were most relevant in evaluating the Peer Group Companies.

Mercer received input from the Compensation Committee, other members of the Company s Board of Directors and management in recommending that the Compensation Committee include a slightly modified set of peers for fiscal year 2017 given the criteria identified above. As a result, Mercer recommended removing Equinix Inc. and QLogic. Mercer recommended removing Equinix from the peer group as its operational structure is different from that of the Company since it restructured as a REIT. QLogic was removed as it was acquired by Cavium in June of 2016. Based on the criteria identified above, Mercer recommended adding Rackspace Hostings, Check Point Software Technologies, and ServiceNow as new peer companies to the group as replacements. As the Company continues to focus on the market for security products and software as well as a shift to more subscription and software-as-a-service models, the Committee deemed it appropriate to add these two companies which share similar markets and operational models and compete with the Company for talent. In addition, these companies fall within the appropriate range of revenues and market capitalization for the peer group. Accordingly, the Committee chose to use the following list of peer companies for purposes of analyzing the Company s executive compensation program:

Akamai Technologies, Inc.	FireEye, Inc.	Palo Alto Networks, Inc.
Brocade Communications Systems, Inc.	Fortinet, Inc.	Rackspace Holdings
CA Technologies	Viavi Solutions	Red Hat, Inc.
Citrix Systems, Inc.	Juniper Networks, Inc.	Symantec Corporation
	NetApp, Inc.	ServiceNow, Inc.

Check Point Software Technologies Ltd.	
	VeriSign, Inc.

As of the date of the market analysis conducted by Mercer, the Company was positioned within the Peer Group Companies at the 45th percentile in revenues, 33rd percentile in market capitalization and 45th percentile in market capitalization to revenues. For fiscal year 2017, Mercer also reviewed with the Compensation Committee compensation data published in the Radford Executive Survey for companies in the

Software/Network sector with revenues from $1 billion to $5 billion and the IPAS High Technology Survey for companies with revenues from $500 million to $3 billion. This data was used by the Company primarily as a competitive reference for positions below the executive officer level.

Base Salary

Base salary is the guaranteed element of employees annual cash compensation. Executive officers base salaries are set at levels that reflect their specific job responsibilities, experience, qualifications, job performance and potential contributions; market data from two salary surveys covering technology companies in comparable areas (Survey Companies); and compensation paid to comparable executives as set forth in proxy statements for the Peer Group Companies developed by an outside independent compensation consultant (See Factors Considered Market Analysis). Base salaries are reviewed and generally adjusted annually and may also be adjusted from time to time in recognition of individual performance, promotions and marketplace competitiveness. The base salaries of the NEOs, other than Mr. McAdam, are generally set at or near the 50th percentile range of base compensation for comparable executive officers in the Survey Companies and Peer Group Companies.

Incentive Compensation

The Compensation Committee believes that incentives based on attaining or exceeding established financial targets properly align the interests of the executive officers with the interests of the shareholders. All of our executive officers participate in the Incentive Compensation Plan for Executive Officers (Incentive Plan). The Incentive Plan is a cash incentive bonus plan, with each NEO assigned a target bonus amount expressed as a percentage of such NEO s base salary, ranging in fiscal year 2017 from 60% to 130%.

The Compensation Committee, and in the case of the NEOs other than the President and CEO in consultation with our President and CEO, determines each of these target bonus percentages based on its assessment of the impact each position had on the Company s financial performance and compensation data from the Survey Companies and Peer Group Companies provided by the independent compensation consultant. The total direct cash compensation (base salary plus the target bonus) of the executive officers other than Mr. McAdam is generally set at or near the 50th percentile range of total direct cash compensation for comparable executive officers at the Peer Group Companies. If earned, the cash incentive bonus is paid quarterly.

For fiscal year 2017, 70% of the cash incentive bonus was based on the Company achieving target revenue for the quarter, and 30% was based on the Company achieving target EBITDA (earnings before interest, taxes, depreciation and amortization) for the quarter. Since fiscal year 2015, the formula has been more heavily weighted towards revenue growth based on the Company s belief that growth is a key driver of shareholder return. Each target is determined by the Compensation Committee. No cash incentive bonus will be paid for results less than 80% of an applicable target. The cash incentive bonus is paid on a linear basis above 80% of the targeted goals. Results for both targets must equal or exceed 100% for the total cash incentive bonus to be paid at 100% or more.

For example, if 90% of the revenue goal and 85% of the EBITDA goal are achieved, the quarterly cash incentive bonus is paid out at 88.5%. If 90% of the revenue goal and 105% of the EBITDA are achieved, the EBITDA goal is capped at 100% and the quarterly cash incentive bonus is paid out at 93%. If 100% of the revenue goal and 120% of the EBITDA goal are achieved, the quarterly cash incentive bonus is paid out at 106% since both goals were achieved at 100% or more. The Compensation Committee used the same performance formula, revenue and EBITDA targets for the performance-based equity awards issued to the NEOs, including the performance-based equity awards approved in fiscal year 2017.

	Weight	Performance Formula Examples				
% of Revenue Target Achieved	70%	90	90	100	70	70
% of EBITDA Target Achieved	30%	85	105	120	90	75
Total % Achieved		**88.5**	**93.0**	**106.0**	**27.0**	**0**

As noted in the section above on Compensation Philosophy, the Compensation Committee believes this performance formula has contributed to the Company s consistent and strong financial performance and is of crucial importance in maintaining and growing shareholder value and furthering the shared interests of the

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Company s executive officers and shareholders. The targets approved by the Compensation Committee each fiscal year require solid execution by the executive team. Also, the performance-based incentive and equity compensation is paid out on a linear basis above 80% of the targeted goal and the executive officers total direct compensation will be reduced significantly if the Company has poor operating results. Since the performance formula does not include any multipliers or other accelerators and the results of both targets must equal or exceed 100% for the total performance-based compensation to be paid out at 100% or more, the performance formula limits to a reasonable and foreseeable level the amount of total performance-based compensation paid in the case of strong operating results exceeding the targets.

Clawback Policy

In addition to the clawback provisions of the Sarbanes-Oxley Act that apply to the Chief Executive Officer and Chief Financial Officer, the Board of Directors adopted a Clawback Policy for oversight and enforcement by the Compensation Committee. This clawback policy generally provides that in the event of a restatement of the Company s financial results (other than due to a change in applicable accounting rules or interpretations) the result of which is that any performance-based compensation paid to a Company executive officer during the three years preceding the restatement would have been lower had it been calculated based on such restated results, the Compensation Committee will review the compensation. If the Compensation Committee determines that the amount of compensation actually paid or awarded to an executive officer (the Awarded Compensation) would have been lower had it been calculated based on the restated financial statement (the Adjusted Compensation), and that the executive officer engaged in intentional or unlawful misconduct that materially contributed to the need for the restatement, then the Compensation Committee may seek to recover for the benefit of the Company the excess of the Awarded Compensation over the Adjusted Compensation. The policy provides that the Compensation Committee will not seek recovery if it determines recovery would be unreasonable or contrary to the interests of the Company.

Fiscal Year 2017 Base Salaries and Incentive Compensation Awards

Consistent with the Company s compensation philosophy and its intent to target total direct cash compensation for the executive officers other than Mr. McAdam at or near the 50th percentile of the Peer Group Companies, the Committee increased the base salaries for fiscal year 2017 for each of the NEOs by 4% 10%. Also. consistent with the Committee s compensation philosophy that a significant portion of the NEOs compensation should be incentive-based the Committee approved the following target bonus percentages for each of the NEOs.

	Base Salary Annual Rate 2017	Incentive Plan % of Base Salary 2016	Incentive Plan % of Base Salary 2017
François Locoh-Donou	$750,000	n/a	130%
John McAdam	$965,000	130%	130%
Andrew Reinland	$477,000	90%	90%
Edward J. Eames	$489,000	100%	100%
John DiLullo	$468,000	100%	100%
Scot F. Rogers	$442,000	60%	60%

For fiscal year 2017, the quarterly revenue targets were $517.0 million, $524.0 million, $541.0 million and $572.0 million and the quarterly EBITDA targets were $152.5 million, $150.8 million, $162.0 million and $183.1 million. The Company achieved 99.8%, 98.9%, 95.7% and 94.1% of the quarterly revenue targets and 99.2%, 100.0%, 94.7% and 96.1% of the quarterly EBITDA targets. The NEOs earned 99.6%, 99.2%, 95.4% and 94.7% of their target cash incentive bonuses for the four quarters of fiscal year 2017, respectively. Overall in fiscal year 2017, the Company achieved 97.1% of the annual revenue target and 97.5% of the annual EBITDA target and the executive officers earned 97.2% of their total target cash incentive bonus.

The Compensation Committee believes that the cash incentive bonuses paid to the executive officers for performance in fiscal year 2017 were merited due to the Company s strong operating results summarized above, which were achieved in the environment of a corporate leadership transition and a rapidly evolving market throughout fiscal year 2017.

Equity Compensation

The Compensation Committee believes that equity ownership aligns the interests of executive officers with those of the shareholders and provides significant motivation to executive officers to maximize value for the Company s shareholders. In accordance with this belief, the Committee periodically approves grants of equity compensation in the form of RSUs under the Company s equity incentive plan. The amounts of these grants are based on the relative position and responsibilities of each NEO, previous and expected contributions of each officer to the Company s success, equity compensation data from Survey Companies and Peer Group Companies provided by the independent compensation consultant, previous grants to each officer, and recruitment and retention considerations.

The value of equity compensation grants to each of the NEOs is generally set between the 50th and 75th percentile range of the value of the most recent long-term incentive compensation grants to comparable executive officers in the Survey Companies and Peer Group Companies. The grant date fair value of equity incentive awards for accounting purposes as reported in the Grants of Plan-Based Awards in Fiscal 2017 Table is based on the closing price of the Common Stock on the applicable accounting grant date, which, in the case of the later tranches of the performance-based equity awards, is later than the date the Compensation Committee determines the number of shares underlying the annual awards to executives. Therefore, the Table includes the cumulative value of a portion of performance-based equity awards issued in fiscal years 2014, 2015 and 2016 as reflected in footnotes (5) and (12) to the Table.

The Board of Directors has approved and adopted a Policy Regarding the Granting of Equity-Based Compensation Awards which provides, as amended that the Compensation Committee or the Board of Directors, as applicable, will approve equity awards to existing employees and service providers (other than newly-promoted individuals and non-employee directors) on an annual basis on November 1 (or, if such day is not a business day, on the following business day). A copy of this Policy may be found under the About F5 Investor Relations Corporate Governance section of the Company s website.

Equity awards to newly-hired employees and service providers (other than non-employee directors) are approved on a quarterly basis on February 1, May 1, August 1 and November 1 (or, if such day is not a business day, on the following business day). These new-hire grants generally vest over a four-year period, with 25% vesting on the first anniversary of the award and the balance vesting in equal quarterly increments over the following three years. The Compensation Committee or the Board of Directors, as applicable, may approve equity awards outside of the new-hire grant date to select individuals in the event of extraordinary circumstances.

The vesting of 50% of the annual equity award to the executive officers in fiscal year 2017 is subject to the Company achieving specified performance targets over the four-year period following the awards. The Compensation Committee sets these targets on an annual basis. The Compensation Committee reviews and evaluates revenue and expense projections proposed by management and considers industry, competitive and economic trends in setting these targets. These performance-based awards are subject to adjustment or recovery by the Company as provided by law. For the performance-based equity awards issued to the NEOs, including the performance-based equity awards approved in fiscal 2017, the Compensation Committee used the performance formula, revenue and EBITDA targets established for the Incentive Plan. For fiscal year 2017, the NEOs earned 97.2% of the target performance-based equity awards. Footnote (6) of the Grants of Plan-Based Awards Table in Fiscal Year 2017 includes additional information regarding the performance-based equity compensation program in fiscal year 2017.

The Compensation Committee continues to believe that revenue growth is an important measure for the performance-based equity awards as the Company s ability to consistently grow revenue is of crucial importance in maintaining and growing shareholder value, and furthers the shared interests of the Company s executive officers and shareholders. The focus on revenue growth is balanced by the EBITDA targets intended to ensure that the Company appropriately manages operating risks, avoids excessive risk-taking, and maintains its gross margin and operating margin targets while growing its revenue base. As set forth above, total annual revenue of $2.1 billion in fiscal year 2017 was the highest ever, an increase of 4.8% over fiscal year 2016, and 97.1% of the annual revenue target set by the Compensation Committee. The Company achieved this record revenue while delivering strong quarterly GAAP gross margins and operating margins, and achieving 97.5% of the annual EBITDA target.

The Compensation Committee believes that using the same performance formula and targets for the Incentive Plan and the performance-based equity awards is an important and fundamental element in the Company s executive compensation program, and has contributed to the Company s operational and financial success and the corresponding increase in shareholder value. The performance formula and targets represent key metrics by which the Company is evaluated, and provide an appropriate and effective balance of performance incentives to focus and motivate executive officers to maximize value for the Company s shareholders without excessive risk-taking, as evidenced by the Company s consistent revenue growth and strong GAAP gross margins and operating margins. Use of the same performance formula and targets provide the Company s shareholders a more direct means of evaluating executive compensation and Company performance, promote a balanced focus on both quarterly and annual targets, and is administratively efficient for the Company in that performance-based equity awards, if any, will be calculated and issued on a quarterly basis. Equity awards not earned for any quarter are forfeited and, except as provided by law or Company policy, issued awards will not be subject to future adjustments or recovery. Generally, a NEO must be employed by the Company or its affiliates on each vesting date to receive the shares of Common Stock issuable on the vesting date.

Fiscal Year 2017 Equity Awards

For the fiscal year 2017 annual equity awards (2017 Equity Award), the Compensation Committee approved the following awards to the NEOs as set forth below.