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19

In fiscal year 2012, the Company also had strong performance as compared to the Peer Group Companies.

Except for the updated Peer Group Companies and the new annual grant date referenced above, the fiscal year 2012 compensation program for our named executive officers was consistent with the fiscal year 2011 program. In evaluating the Company s executive compensation program for fiscal year 2012, the Compensation Committee considered the shareholder advisory vote on executive compensation for fiscal year 2011 which was approved by over 98% of the votes cast. Also, in response to the advisory vote at the 2011 annual meeting, the Board decided that future advisory votes on executive compensation would be submitted to shareholders on an annual basis. The Compensation Committee carefully considers feedback from shareholders regarding the Company s executive compensation, including the results of the shareholders annual advisory vote on executive compensation. Shareholders are invited to express their views to the Committee, including as described above under the heading Communications with Directors.

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 Compensation 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.

Elements of Our Compensation Program

The three primary components of our executive compensation program are: (i) base salary, (ii) incentive compensation in the form of cash bonuses, and (iii) equity compensation.

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 Benchmarking). 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 executive officers, including 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 executive officer assigned a target bonus amount expressed as a percentage of such executive officer s base salary, ranging from 30% to 80%.

The Compensation Committee, 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 outside consultant. The total direct cash compensation (base salary plus the target bonus) of the executive officers, including 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. 50% of the cash incentive bonus is based on the Company achieving target revenue for the quarter, and 50% is based on the Company achieving target EBITDA (earnings before interest, taxes, depreciation and amortization) for the quarter. Each such target is determined by the Compensation Committee. See footnote (3) of the Grants of Plan-Based Awards Table in Fiscal 2012 for information regarding the targets for fiscal 2012. 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 87.5%. 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 95%. If 100% of the revenue goal and 120% of the EBITDA goal are achieved, the quarterly cash incentive bonus is paid out at 110% since both goals were achieved at 100% or more.

If 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 under the federal securities laws, the Board of Directors shall review any incentive bonuses paid to the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, and Executive Vice President and General Counsel as a result of the restated results during the 12-month period preceding the filing of the restatement and, to the extent practicable and in the best interests of shareholders, shall seek to recover or cancel the appropriate excess portion, if any, of such awards that were based on financial results that were revised in the restatement. Following such review, if the Board of Directors decides not to recover or cancel any portion of the awards at issue, that decision shall be disclosed in the Company s next annual proxy statement.

Fiscal Year 2012 Base Salaries and Incentive Compensation awards

As compared to the Peer Group Companies in fiscal year 2011, the base salaries for each of Messrs. McAdam, Rodriguez and Triebes were at or below the 50th percentile and their total direct cash compensation (base salaries plus cash incentive bonus at 100%) was below the 50th percentile. Their base salaries for fiscal year 2012 were increased by 15%, 6% and 10%, respectively to bring their base salaries more in line with comparable executive officers in the Peer Group Companies. In the case of Mr. McAdam, the Board determined that this increase was also in recognition of his tenure and outstanding performance as the Company s President and Chief Executive Officer. There was no change to the target bonus percentages although the increases in the base salaries for these named executive officers resulted in an increase in the dollar amount of the target cash incentive bonuses.

	Incentive Plan % of Base Salary
John McAdam	80%
John Rodriguez	35%
Karl Triebes	50%
Manny Rivelo	53%
David Feringa	60%

In fiscal year 2012, the Company achieved 104% of the annual revenue target and 104% of the annual adjusted EBITDA target. As a result, the executive officers earned 104% of their total target cash incentive bonus in fiscal year 2012. The Compensation Committee retains some discretion in the administration of the Incentive Plan, although the Committee did not exercise that discretion in administration of the Incentive Plan in fiscal year 2012. The Compensation Committee believes that the cash incentive bonuses paid to the executive officers for performance in fiscal year 2012 were merited due to the Company s outstanding operating results summarized above.

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 Compensation Committee periodically approves grants of equity compensation in the form of restricted stock units (RSUs) under the Company s equity incentive plan. The amounts of these grants are based on the relative position and responsibilities of each executive officer, 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 outside consultant, previous grants to each officer, and recruitment and retention considerations. The value of equity compensation grants to each of the executive officers 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. In considering the value of equity compensation grants to executive officers, the Compensation Committee considers the total value of the shares underlying the RSUs based on the value of the Common Stock on the date the annual awards are issued rather than the aggregate grant date fair value for accounting purposes as described in more detail in footnote (8) of the Grants of Plan-Based Awards in Fiscal 2012 Table.

For fiscal years 2010 and 2011, the Compensation Committee recommended a target total value of approximately $5,309,000 for Mr. McAdam s annual equity award, and approximately $1,517,000 for Messrs. Rodriguez and Triebes.

In January 2007, the Board of Directors approved and adopted a Policy Regarding the Granting of Equity-Based Compensation Awards, a copy of which may be found under the About F5 Investor Relations Corporate Governance section of the Company s website, www.f5.com. This policy provides that the Compensation Committee or the Board of Directors, as applicable, shall approve equity awards to existing employees and service providers (other than newly-promoted individuals and non-employee directors) on an annual basis on August 1 (or, if such day is not a business day, on the following business day). In November 2011, as part of the annual review of executive compensation, the Compensation Committee and the Board of Directors amended this policy to provide that annual equity awards to the Company s executive officers will be issued on November 1 (or, if such day is not a business day, on the following business day). In moving the award date to November 1, the quarterly targets for the performance portion of the annual equity awards issued to the executive officers will coincide with a single fiscal year and will not overlap two fiscal years.

Prior to fiscal year 2010, annual equity awards vested in quarterly increments over a two year period. For the annual equity awards to the Company s executive officers beginning in fiscal 2010, the vesting period was extended to the three year period following the awards. Equity awards to newly-hired employees and service providers (other than non-employee directors) and to newly-promoted individuals shall be 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 and promotion 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. 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.

Since December 2006, the Board of Directors and Compensation Committee have included a performance-based component in the annual equity awards granted to the executive officers. The vesting of 50% of each annual equity award to the executive officers in fiscal 2006, 2007, 2008 and 2009 was subject to the Company achieving specified performance targets over the two year period following the awards (25% in the first four quarters and 25% in the second four quarters following the awards). Beginning with the annual equity award in fiscal 2010, the vesting period for the awards, including the performance-based component of the awards, was extended to the three year period following the award. 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 were to adjustment or recovery by the Company as provided by law.

For the performance-based equity awards issued to the named executive officers, including the performance-based equity awards approved in fiscal 2012, the Compensation Committee utilized the performance formula, revenue and EBITDA targets established for the Incentive Plan. See footnote (6) of the Grants of Plan-Based Awards Table in Fiscal 2012 for additional information regarding the performance-based equity compensation program in fiscal 2012.

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 $1.38 billion in fiscal year 2012 was the highest ever, an increase of 20% over fiscal year 2011 and 104% of the annual revenue target set by the Compensation Committee. The Company achieved this record revenue while delivering quarterly GAAP gross margins which exceeded 82.7%, and GAAP quarterly operating margins which exceeded 30.8% during fiscal year 2012, and achieving 104% 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. 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. 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, issued awards will not be subject to future adjustments or recovery. In accordance with the 2005 Equity Incentive Plan (2005 Plan), a named executive officer must be employed by the Company or its affiliates on each vesting date in order to receive the shares of Common Stock issuable upon such vesting date.

Fiscal Year 2012 Equity Awards

For the annual equity awards issued in fiscal year 2012 (2012 Annual Equity Award), the Compensation Committee approved the following awards to the executive officers as set forth below.

	Annual Equity Awards
John McAdam	28,364 RSUs
John Rodriguez	4,728 RSUs
Karl Triebes	9,455 RSUs

The target values for the 2012 Annual Equity Awards for Messrs. McAdam, Rodriguez and Triebes were $3,000,000, $500,000 and $1,000,000 respectively. The Compensation Committee approved these grants to facilitate the Company s transition to the November 1 annual grant date, in recognition of the value of equity compensation grants and the target total direct compensation (total value of annual base, bonus and equity compensation grants) for comparable executive officers in Peer Group Companies, and as a retention tool in recognition of the outstanding performance of the Company and tenure of the executive team. In the absence of these grants in November 2011, the executive officers would not have received an annual equity award in fiscal year 2012 due to the transition to the November 1 annual grant date.

In fiscal year 2012, the Compensation Committee approved a new-hire grant of 40,000 RSUs for Mr. Rivelo and a promotion grant of 30,000 RSUs for Mr. Feringa. Messrs. Rivelo and Feringa did not receive a 2012 Annual Equity Award.

Stock Ownership Guidelines

In October 2010, the Board of Directors adopted stock ownership guidelines for the Company s named executive officers and other executive officers. The guidelines were established to promote a long-term perspective in managing the business, further align the interests of the executive officers and the Company s shareholders, and reduce any incentive for excessive short-term risk taking. The guidelines provide for the following stock ownership:

President and Chief Executive Officer	5x base salary
All Other Executive Officers	2x base salary

Executive officers are required to achieve the ownership guidelines within the later of five years after adoption of the guidelines by the Board of Directors or within three years after first being designated as an executive officer. Until the applicable guideline is achieved, the executive officers are required to retain that number of shares equal to not less than 20% of the Net Shares received as the result of the vesting of any RSUs.

Net Shares are those shares that remain after shares are sold to pay withholding taxes. Shares of Common Stock that count towards satisfaction of the guidelines include shares purchased on the open market, shares obtained through stock option exercises or pursuant to the Company s Employee Stock Purchase Plan, shares obtained through grants of Restricted Stock Units, and shares beneficially owned in a trust by a spouse and/or minor children. Shares owned by executive officers shall be valued at the greater of (i) the price at the time of acquisition/purchase or (ii) the current market value.

Derivatives Trading and Hedging Policy

Pursuant to the Company s Insider Trading Policy, a copy of which may be found under the About F5 Investor Relations Corporate Governance section of our website, www.f5.com, the Company considers it improper and inappropriate for any employee, officer or director of the Company to engage in short-term or speculative transactions in the Company s securities. The policy specifically prohibits directors, officers and other employees, and their family members, from engaging in short sales of the Company s securities, transactions in puts, calls or other derivative securities on an exchange or in any other organized market, and certain hedging transactions related to the Company s securities. In addition, directors, officers and other employees are prohibited, except under certain limited exceptions, from holding Company securities in a margin account or pledging Company securities as collateral for a loan. Each of the named executive officers complied with this Policy during fiscal year 2012 and has no Company securities pledged or in margin accounts.

Other Benefits and Perquisites.

The Company s executive officers participate in broad-based benefit plans that are available to other employees. The Company does not currently provide additional material perquisites for its executive officers.

How Each Element Fits Into our Overall Compensation Objectives and Affects Other Elements of Compensation

Consistent with our philosophy that a significant amount of the executive officers compensation should be directly linked to the performance of the Company and align the interests of executive officers with the long-term interests of shareholders, a majority of the executives compensation is based on the Company achieving certain performance and financial targets. We do not have an exact formula for allocating between cash and equity compensation, but target total direct cash compensation (base salary plus the target bonus) of the executive officers is at or near the 50th percentile range of total cash compensation for comparable executive officers in the Peer Group Companies, and total direct compensation (cash and equity compensation) is between the 50th and 75th percentiles.

Impact of Accounting and Tax Treatments of a Particular Form of Compensation

The accounting and tax treatment of the elements of our compensation program is one factor considered in the design of the compensation program. Under Section 162(m) of the Internal Revenue Code of 1986, as amended, the federal income tax deduction for certain types of compensation paid to the chief executive officer and the three other most highly compensated executive officers of publicly-held companies (other than the chief executive officer and principal financial officer) is limited to $1 million per officer per fiscal year unless such compensation meets certain requirements. The Compensation Committee is aware of this limitation and has decided that it is not appropriate at this time to limit the Company s discretion to design the compensation packages payable to the Company s executive officers to comply with these deductibility guidelines.

Factors Considered Benchmarking

The Compensation Committee conducts an annual review of the executive compensation program and utilizes peer and survey group data to help set proper compensation levels. The Compensation Committee has retained an outside independent compensation consultant, Towers Watson, 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. Towers Watson worked directly with the Compensation Committee (and not on behalf of management) and performs no other consulting or other services for the Company. The Compensation Committee instructed Towers Watson 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 Towers Watson and approved by the Compensation Committee. The following is a list of the peer group companies utilized by the Compensation Committee in fiscal year 2011:

ADC Telecommunications Inc.	Juniper Networks Inc.	Sonic WALL Inc.
ADTRAN Inc.	Level 3 Communications	Sonus Networks Inc.
Blue Coat Systems Inc.	McAfee Inc.	Symantec Corp
BMC Software Inc.	Network Appliance Inc.	Sybase Inc.
Ciena Corp	Progress Software Corp	VeriSign Inc.
Citrix Systems Inc.	QLogic Corp.	Websense Inc.
Cogent Inc.	Quest Software	
Emulex Corp.	Red Hat Inc.	
Henry (Jack) & Associates Inc.	Riverbed Technology	

As noted above, for fiscal year 2012, the Compensation Committee directed Towers Watson to review the peer group of companies used historically by the Compensation Committee. Towers Watson received input from the Compensation Committee, other members of the Company s Board of Directors and management and recommended the following updated list of Peer Group Companies for fiscal year 2012:

ADTRAN Inc.	Juniper Networks Inc.	Riverbed Technology
Akamai Technologies, Inc.	Level 3 Communications	Symantec Corp
BMC Software Inc.	Equinix, Inc.	Red Hat Inc.
CA Technologies	Network Appliance Inc.	VeriSign Inc.
Citrix Systems Inc.	QLogic Corp.	

Towers Watson also analyzed and compared our executive officers compensation with the compensation paid to comparable executives based on 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. The following companies participated in the Radford Executive Survey:

A.T. Kearney, Inc.	Cree, Inc.	Lawson Software, Inc.	Quantum Corporation
Acision BV	Cypress Semiconductor Corp.	Logitech International, S.A.	Quest Software, Inc.
Acxiom Corporation	Dassault Systems	LSI Corporation	RealNetworks, Inc.
ADC Telecommunications, Inc.	Disney Interactive Media Group	McAfee, Inc.	Red-Hat, Inc.
Akamai Technologies, Inc.	Dolby Laboratories, Inc.	Mentor Graphics Corporation	Sabre Holdings, Inc.
Alliance Data Systems	ECI Telecom, Ltd.	Merrill Corporation	Salesforce.com, Inc.
Altera Corporation	Enersys, Inc.	Microchip Technology Inc.	Sapient Corporation
Amdocs Ltd.	Ensco International Inc.	Microsemi Corporation	SAS Institute, Inc.
Anritsu Company	Epson Europe B.V.	Misys International Banking	SAVVIS Communications Corp.
AptarGroup, Inc.	F5 Networks, Inc.	Mitac International Corp.	Schneider Electric
Aptina Imaging Corporation	Fox Interactive Media, Inc.	MKS Instruments, Inc.	Siemens PLM Software
	Gartner Inc	National Instruments Corp.	Software AG, Inc.

ARM Inc.	Global Crossing Ltd.	NAVTEQ Corporation	SunPower Corporation
Aspect Software, Inc.	GTECH Holdings Corp.	NDS Group Limited	Sybase, Inc.
Atmel Corporation	Hitachi Data Systems Corp.	NICE Systems	Synopsys, Inc.
Autodesk, Inc.	IAC Search & Media	Novell, Inc.	Tektronix, Inc.
Avago Technologies, US Inc.	IiBasis, Inc.	Novellus Systems, Inc.	Telcordia Technologies, Inc.
Avid Technology, Inc.	Imation Corp.	Nuance Communications, Inc.	Tellabs, Inc.
BMC Software, Inc.	Infinera Corporation	Nypro, Inc.	Teradata Corporation
Bose Corporation	InfoPrint Solutions Inc.	Open Text Corporation	The Capital Group Companies
Brocade Communication Systems	Integrated Device Technology	Panasonic Avionics Corporation	The Mathworks, Inc.
Brooks Automation, Inc.	IntelSat	Panduit Corporation	The Vitec Group plc
Bull SAS	Invensys plc	PerkinElmer, Inc.	TIBCO Software, Inc.
Cadence Design Systems, Inc.	IPC Systems	Plexus Corp.	TransUnion, LLC
Carestream Health, Inc.	JDA Software Group, Inc.	PMC-Sierra, Inc.	Travelport GDS

	JDS Uniphase Corporation	Ploycom, Inc.	Trend Micro
Cerner Corporation	Keane	Powerwave Technologies, Inc.	Trimble Navigtation Limited
Check Point Software Technologies	KEMET Electronics Corporation	Progress Software Corporation	TTI, Inc.
Ciena Corp	Kingston Technology Company	PTC	UTStarcom
Citrix Systems, Inc.	Kronos Incorporated		VeriSign, Inc.
Cognizant Technology Solutions	Lam Research Corporation		VMWare, Inc.
CompuCom Systems Inc.			Waters Corporation
Compuware Corporation			
Convergys Corporation			

27

The following companies participated in the IPAS High Technology Survey:

ACCELA	DIGI INTERNATIONAL	ORACLE
ACCENTURE	EBAY	PALO ALTO NETWORKS
ADOBE SYSTEMS	EMC	ZLOGIC
ADVENT SOFTWARE	ENTRUST	QUALYS
AKAMAI TECHNOLOGIES	ERICSSON	QUANTUM
ALCATEL-LUCENT	ERICSSON - US	QUEST SOFTWARE
ALLIED TELESIS	EXPEDIA	RACKSPACE HOSTING
AMAZON.COM	EXTREME NETWORKS	RED HAT
AMDOCS	FACEBOOK	RIVERBED TECHNOLOGY
APPLE	FIRE EYE	SALESFORCE.COM
ARIBA	FORTINET	SAP AG
ARUBA NETWORKS	GOOGLE	SIEMENS ENTERPRISE COMMUNICATIONS
ASSIA	HEWLETT-PACKARD	SILVER SPRING NETWORKS
AUTODESK	HITACHI DATA SYSTEMS	SONICWALL
AVAYA	HUAWEI	SONUS NETWORKS
BLUE COAT SYSTEMS	EBM	SOURCEFIRE
BMC SOFTWARE	IMPERVA	SUNGARD
BROCADE COMMUNICATIONS SYSTEMS	INFINERA	SYBASE
CA TECHNOLOGIES	INFOBLOX	SYMANTEC
CADENCE DESIGN SYSTEMS	INFORMATICA	TATA COMMUNICATIONS

CENTRIFY	INNOPATH SOFTWARE	TELLABS
CHECK POINT SOFTWARE TECHNOLOGIES	IXIA	TERADATA
CHELSIO COMMUNICATIONS	JOYENT	THE MATHWORKS
CIENA	JUNIPER NETWORKS	TREND MICRO
CISCO SYSTEMS	LENOVO	TWITTER
SITRIX SYSTEMS	LINKEDIN	VERISIGN
CLOUDMARK	MCAFEE	SMWARE
COLLABNET	MICROSOFT	WEBSENSE
COMMVAULT SYSTEMS	MOZILLA	WIND RIVER SYSTEMS
DATADIRECT NETWORKS	NETAPP	YAHOO!
DATALINK	NETSCOUT SYSTEMS	
	NOKIA	

Role of Executive Officers in Determining Executive Compensation

The Compensation Committee annually assesses the performance of, and recommends to the full Board of Directors base salary and incentive compensation for, the Company s President and Chief Executive Officer. The Company s President and Chief Executive Officer recommends to the Compensation Committee annual base salary and incentive compensation adjustments for the other executive officers.

Employment Contracts and Change in Control Arrangements

In May 2009, after an extensive review process and in consultation with Towers Watson and outside legal counsel, the Compensation Committee recommended to the Board of Directors and the Board of Directors approved the Company entering into change of control agreements with each of the executive officers (See Potential Payments Upon Termination or Change in Control). The Compensation Committee recognizes the threat or possibility of an acquisition by another company or some other change of control event can be a distraction and believes that it is in the best interests of the Company and its shareholders to ensure that the Company will have the continued full attention and dedication of the Named Executive Officers notwithstanding the possibility, threat or occurrence of such an event. See the 2012 Potential Payments Upon Termination or Change in Control Table for additional information regarding the potential payments and benefits that each Named Executive Officer could receive pursuant to the change of control agreements.

There are currently no other written employment contracts with any of the Named Executive Officers. Each such officer is an at-will employee, and his employment may be terminated anytime with or without cause. The RSU grant agreements issued to our Named Executive Officers provide that upon certain changes in control of the Company the vesting of outstanding and unvested RSUs will accelerate and such RSUs will become fully vested. We believe that such change in control provisions provide an additional tool for attracting and retaining key executive officers.

Summary Compensation Table

The following table sets forth information concerning compensation for services rendered to us by (a) our Chief Executive Officer (the CEO), (b) our Chief Accounting Officer for fiscal year 2012 (now our Senior VP and Corporate Compliance Officer) and (c) our three other most highly compensated executive officers who were serving as our executive officers at the end of fiscal year 2012. These executive officers are collectively hereinafter referred to as the Named Executive Officers.

Summary Compensation Table for Fiscal Year 2012

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)(4)
John McAdam	2012	$ 796,722	$ 3,759,978	$ 657,349	$ 600	$ 5,214,649
President and Chief Executive Officer	2011	$ 687,119	$ 6,406,726	$ 613,051	$ 600	$ 7,707,496
	2010	$ 626,916	$ 7,523,870	$ 733,576	$ 600	$ 8,884,962
John Rodriguez(5)	2012	$ 307,440	$ 836,143	$ 110,069	$ 21,064	$ 1,274,716
Senior VP and Corporate Compliance	2011	$ 285,235	$ 1,830,551	$ 111,425	$ 4,600	$ 2,231,811
Officer (Principal Financial Officer for fiscal year 2012)	2010	$ 269,604	$ 2,055,285	$ 118,597	$ 4,600	$ 2,448,086
Karl Triebes	2012	$ 479,569	$ 1,169,530	$ 246,446	$ 4,600	$ 1,900,145
Executive VP of Product Development and Chief	2011	$ 430,570	$ 1,830,551	$ 240,284	$ 4,600	$ 2,506,005
Technical Officer	2010	$ 409,597	$ 2,409,685	$ 299,789	$ 4,600	$ 3,123,671
Manuel F. Rivelo(6) Executive VP of Security and Strategic Solutions	2012	$ 347,081	$ 4,022,400	$ 191,924	$ 4,000	$ 4,565,405
David Feringa(7) Executive VP of Worldwide Sales	2012	$ 352,141(8)	$ 2,817,300	$ 316,677(9)	$ 4,000	$ 3,490,118

(1) This column represents the aggregate grant date fair value of RSUs treated as granted to Named Executive Officers in the applicable year computed in accordance with Accounting Standards Codification Topic 718, Stock Compensation (ASC Topic 718) and determined as of the grant date under ASC Topic 718. 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 fiscal year ended September 30, 2012. Additional information about the RSUs appears in the Compensation Discussion and Analysis and in the Grants of Plan-Based Awards table and related narrative.

(2) This column represents the total cash incentive bonus paid to the Named Executive Officers in fiscal year 2012 under the Incentive Plan. 50% of the cash incentive bonus is based on the Company achieving target revenue for each quarter, and 50% is based on the Company achieving target EBITDA for each quarter. In fiscal year 2012, the Company achieved 104% of the annual revenue target and 104% of the annual EBITDA target. As a result, the executive officers who participated in the Incentive Plan for the four quarters in fiscal year 2012 earned 104% of their target cash incentive bonus in fiscal year 2012. Mr. Feringa earned approximately 103% of his target cash incentive bonus for the period he served as an executive officer. For additional information, see footnote (3) of the Grants of Plan-Based Awards in Fiscal Year 2012 Table.

(3) Items in the All Other Compensation column are outlined in the following table:

Items in All Other Compensation Column for Fiscal Year 2012

Name	Company Contributions to 401(k) Plan	Internet Service Stipend	Total All Other Compensation
John McAdam	$ 0	$ 600	$ 600
John Rodriguez*	$ 4,000	$ 600	$ 21,064
Karl Triebes	$ 4,000	$ 600	$ 4,600
Manuel F. Rivelo	$ 4,000	$ 0	$ 4,000
David Feringa	$ 4,000	$ 0	$ 4,000

* Total All Other Compensation for Mr. Rodriguez also includes $16,464 for parking stipend and employee reward trips.

(4) The Company did not provide any discretionary bonus or options for the 2012, 2011 and 2010 fiscal years and does not have a pension or nonqualified deferred compensation plan.

(5) During fiscal year 2012 Mr. Rodriguez was the Executive Vice President and Chief Accounting Officer and served as the Principal Financial Officer. Mr. Rodriguez has served as Senior Vice President and Corporate Compliance Officer since November 5, 2012.

(6) Mr. Rivelo joined the Company in October 2011.

(7) Mr. Feringa was not an executive officer in fiscal years 2011 or 2010.

(8) Includes $5,827 of commissions earned in fiscal year 2012 based on .1% of certain training, consulting and installation sales. As an executive officer, Mr. Feringa will no longer earn these commissions.

(9) Includes $230,064 earned in fiscal year 2012 pursuant to a sales incentive compensation program. For additional information, see footnote (11) of the Grants of Plan-Based Awards in Fiscal Year 2012 Table.

Grants of Plan-Based Awards in Fiscal Year 2012

			Estimated Possible Payouts Under Non-equity Incentive Plan Awards(3)			Estimated Possible Payouts Under Equity Incentive Plan Awards(6)				
Name	Grant Date	Approval Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock Awards ($)(8)
John McAdam	11/9/2011(1)(4)	11/9/2011				3,782	4,727	N/A	14,182(7)	$ 2,000,040
	10/14/2011(1)(5)	10/14/2011				15,632	19,540	N/A		$ 1,759,938
	(2)	11/9/2011	$ 505,325	$ 631,656	N/A					
John Rodriguez	11/9/2011(1)(4)	11/9/2011				630	788	N/A	2,364(7)	$ 333,387
	10/14/2011(1)(5)	10/14/2011				4,465	5,582	N/A		$ 502,756
	(2)	11/9/2011	$ 84,614	$ 105,767	N/A					
Karl Triebes	11/9/2011(1)(4)	11/9/2011				1,261	1,576	N/A	4,728(7)	$ 666,774
	10/14/2011(1)(5)	10/14/2011				4,465	5,582	N/A		$ 502,756
	(2)	11/9/2011	$ 189,451	$ 236,814	N/A					
Manuel F. Rivelo	11/1/2011(1)	9/22/2011							40,000(9)	$ 4,022,400
	(2)	9/22/2011	$ 146,667	$ 183,333	N/A					
David Feringa	8/1/2012(1)	5/30/2012							30,000(10)	$ 2,817,300
	(2)	5/30/2012	$ 67,383	$ 84,229	N/A					
	(11)	(11)	N/A	$ 204,192	N/A					

(1) RSUs granted under the 2005 Plan. No options were granted to the Named Executive Officers in fiscal year 2012.

(2) Represents the cash incentive bonus for fiscal year 2012 awarded under the Incentive Plan. On November 9, 2011, the Compensation Committee approved for recommendation to the Board of Directors the fiscal year 2012 target bonus amount for Mr. McAdam and the

Board of Directors approved the fiscal year 2012 target bonus amount for Mc. McAdam on November 9, 2011. The Compensation Committee approved the fiscal year 2012 target bonus amounts for the other executive officers. The amounts listed in the table for Messrs. Rivelo and Feringa were prorated based on commencement of their service as executive officers.

(3) 50% of the cash incentive bonus is based on the Company achieving target revenue for the quarter and 50% is based on the Company achieving target EBITDA for the quarter. 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. For example, 85% of the possible cash incentive bonus will be paid for revenue or EBITDA at 85% of the applicable target. Similarly, 105% of the possible cash incentive bonus will be paid for revenue or EBITDA at 105% of the applicable target. However, results for both targets must equal or exceed 100% for the total cash incentive bonus to be paid at 100% or more. In fiscal year 2012, the quarterly revenue targets for purposes of the Incentive Plan were $315 million, $319 million, $331 million and $358 million, for an annual target of $1,323 million; and the quarterly EBITDA targets were $102.2 million, $102.8 million, $109.2 million and $119.5 million, for an annual target of $433.8 million. The actual cash incentive bonus earned for fiscal year 2012 is set forth above in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table for Fiscal Year 2012.

(4) The Estimated Possible Payouts Under Equity Incentive Plan Awards is set forth for four quarters of the first year performance portion of the annual equity awards issued in fiscal year 2012 (16.66% of the total annual equity awards issued in fiscal year 2012)(the 2012 Performance Award).

(5) Represents (i) three quarters of the first year performance portion and first quarter of the second year performance portion of the annual equity awards issued in fiscal 2011 (16.66% of the total annual equity awards issued in fiscal year 2011)(the 2011 Performance Award) and (ii) three quarters of the second year performance portion and first quarter of the third year performance portion of the annual equity awards issued in fiscal year 2010 (16.66% of the total annual equity awards issued in fiscal 2010)(2010 Performance Award)(together with the 2012 Performance Award collectively Performance Awards). Under ASC Topic 718, the 2011 Performance Award and the 2010 Performance Award are treated as grants in fiscal year 2012 as the applicable performance targets were set in fiscal year 2012.

(6) The Performance Awards are subject to the same quarterly revenue and EBITDA goals set by the Board of Directors for the applicable periods in fiscal year 2012. The quarterly revenue targets for the last three quarters of the second year performance portion of the 2010 Performance Award and the first three quarters of the first year performance portion of the 2011 Performance Award (based on the Company s performance in the first through the third quarters of fiscal year 2012) were $315 million, $319 million and $331 million, and the quarterly EBITDA targets were $102.2 million, $102.8 million and $109.2 million. The quarterly revenue target for the first quarter of the third year performance portion of the 2010 Performance Award and for the first quarter of the second year performance portion of the 2011 Performance Award (based on the Company s performance in the fourth quarter of fiscal year 2012) was $358 million and the quarterly EBITDA target was $119.5 million. For the four quarters of fiscal year 2012, the Company achieved 102.4%, 106.5%, 106.5% and 100% of the quarterly revenue target and 103.4%, 107.7%, 106.9% and 99.2% of the quarterly EBITDA target. As a result, the named executive officers earned 102.9%, 107.1%, 106.7% and 99.6% of the performance-based equity awards for the four quarters of fiscal year 2012, respectively.

50% of these Performance Awards are based on achieving at least 80% of the revenue goal and the other 50% is based on achieving at least 80% of the EBITDA goal. The Performance Awards, if any, are paid on a quarterly basis linearly above 80% of the targeted goals. For example, if the Named Executive Officer s 2010 Performance Award is 10,000 RSUs and the Performance Award for a quarter is paid out at 100%, the Named Executive Officer would receive 2,500 RSUs.

At least 100% of both goals must be attained in order for the Performance Awards to be awarded over 100%. Each goal is evaluated individually and subject to the 80% achievement threshold and 100% over-achievement threshold. If 90% of the revenue goal and 85% of the EBITDA goal is achieved, the performance award for that quarter is paid out at 87.5%. If 90% of the revenue goal and 105% of the EBITDA is achieved, the EBITDA goal is capped at 100% and the performance award for that quarter is paid out at 95%. If 100% of the revenue goal and 120% of the EBITDA goal is achieved, the performance award for that quarter is paid out at 110% since both goals were achieved at 100% or more. The threshold payout represents 80% of the applicable Performance Awards and the target payout represents 100% of the applicable Performance Awards.

(7) Represents 50% of the annual equity awards issued in fiscal year 2012, which vest in equal quarterly increments over three years, until such portion of the grant is fully vested on November 1, 2014. The holder of the RSU award does not have any of the benefits of ownership of the shares of Common Stock subject to the

award, such as the right to vote the shares or to receive dividends, unless and until the RSUs vest and the shares are issued.

(8) This column represents the aggregate grant date fair value of the RSUs treated as granted to Named Executive Officers in fiscal year 2012, computed in accordance with ASC Topic 718. The grant date fair value of the Equity Incentive Plan Awards is calculated by multiplying the target payout number of RSUs by the closing price of the Common Stock on the applicable grant date, November 1, 2011 ($100.56), November 9, 2011 ($105.77), October 14, 2011 ($90.07), or August 1, 2012 ($93.91). 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, 2012.

(9) 25% vests on November 1, 2012 and the remaining 75% vests in twelve equal quarterly increments beginning February 1, 2013. The holder of the RSU award does not have any of the benefits of ownership of the shares of Common Stock subject to the award, such as the right to vote the shares or to receive dividends, unless and until the RSUs vest and the shares are issued.

(10) 25% vests on August 1, 2013 and the remaining 75% vests in twelve equal quarterly increments beginning November 1, 2013. The holder of the RSU award does not have any of the benefits of ownership of the shares of Common Stock subject to the award, such as the right to vote the shares or to receive dividends, unless and until the RSUs vest and the shares are issued.

(11) Prior to Mr. Feringa s appointment to his current position in May 2012 he was eligible for a sales incentive compensation program which is different from the program described in footnote (3). Mr. Feringa s target sales incentive was set at 100% of base salary and the amount of his target bonus above reflects the target for the period prior to Mr. Feringa becoming an executive officer. 90% of the quarterly base sales incentive at target was based on net sales and 10% was based on qualitative performance measures such as forecasting, linearity and hiring. Upon his appointment to his current position, he was no longer eligible for the sales incentive compensation program and became eligible for the Non-equity Incentive Plan Award program as described in footnote (3) above to the Grants of Plan-Based Awards table.

Outstanding Equity Awards at September 30, 2012

	Stock Awards(1)			
Name	**Number of Shares or Units of Stock That Have Not Vested(#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(7)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(11)**
John McAdam	64,643(2)	$ 6,764,244	39,639(8)	$ 4,147,825
John Rodriguez	16,062(3)	$ 1,680,728	10,058(9)	$ 1,052,469
Karl Triebes	21,835(4)	$ 2,284,814	11,831(10)	$ 1,237,996
Manuel F. Rivelo	40,000(5)	$ 4,185,600		$
David Feringa	32,862(6)	$ 3,438,680		$

(1) No Named Executive Officer had options outstanding at September 30, 2012.

(2) Comprised of the following equity awards; (i) 10,074 RSUs from the annual equity award issued in fiscal year 2010 which vest in equal quarterly increments through August 1, 2013; (ii) 18,932 RSUs from the annual equity award issued in fiscal year 2011 which vest in equal quarterly increments through August 1, 2014; (iii) 10,637 RSUs from the annual equity award issued in fiscal year 2012 which vest in equal quarterly increments through November 1, 2014 as set forth in footnote (7) to the Grants of Plan-Based Awards in Fiscal Year 2012 Table; and (iv) 25,000 RSUs from the retention award issued in fiscal year 2010 which vest 100% on August 1, 2013.

33

(3) Comprised of the following equity awards: (i) 2,879 RSUs from the annual equity award issued in fiscal year 2010 which vest in equal quarterly increments through August 1, 2013; (ii) 5,410 RSUs from the annual equity award issued in fiscal year 2011 which vest in equal quarterly increments through August 1, 2014; (iii) 1,773 RSUs from the annual equity award issued in fiscal year 2012 which vest in equal quarterly increments through November 1, 2014 as set forth in footnote (7) to the Grants of Plan Based Awards in Fiscal Year 2012 Table; and (iv) 6,000 RSUs from the retention award issued in fiscal year 2010 which vest 100% on August 1, 2013.

(4) Comprised of the following equity awards: (i) 2,879 RSUs from the annual equity award issued in fiscal year 2010 which vest in equal quarterly increments through August 1, 2013; (ii) 5,410 RSUs from the annual equity award issued in fiscal year 2011 which vest in equal quarterly increments through August 1, 2014; (iii) 3,546 RSUs from the annual equity award issued in fiscal year 2012 which vest in equal quarterly increments through November 1, 2014 as set forth in footnote (7) to the Grants of Plan Based Awards in Fiscal Year 2012 Table; and (iv) 10,000 RSUs from the retention award issued in fiscal year 2010 which vest 100% on August 1, 2013.

(5) Comprised of an award of service-based RSUs which vest 25% on November 1, 2012, and the remaining 75% vest in twelve equal quarterly increments beginning February 1, 2013 as set forth in footnote (9) to the Grants of Plan Based Awards in Fiscal Year 2012 Table.

(6) Comprised of the following equity awards: (i) 2,862 RSUs from the annual equity award issued in fiscal year 2011 which vest in equal quarterly increments through August 1, 2013; and (ii) 30,000 service-based RSUs which vest 25% on August 1, 2013, and the remaining 75% vests in twelve equal quarterly increments beginning November 1, 2013 as set forth in footnote (10) to the Grants of Plan-Based Awards in Fiscal Year 2012 Table.

(7) Calculated by multiplying the number of unvested RSUs held by the Named Executive Officer by the closing price of the Common Stock ($104.64) on September 28, 2012.

(8) Comprised of the following equity awards: (i) 10,070 RSUs from the annual equity award issued in fiscal year 2010 which vest in quarterly increments during the period ending on August 1, 2013; (ii) 18,933 RSUs from the annual equity award issued in fiscal year 2011 which vest in quarterly increments during the period ending on August 1, 2014; and (iii) 10,636 RSUs from the annual equity award issued in fiscal year 2012 which vest in quarterly increments during the period ending on November 1, 2014, subject to the Company achieving performance criteria and assuming target payout. The RSUs from the annual equity awards issued in fiscal years 2010, 2011 and 2012 for which the performance criteria have not been established as of September 30, 2012 have been treated as outstanding for purposes of this Table but are not yet treated as granted under ASC Topic 718.

(9) Comprised of the following equity awards: (i) 2,875 RSUs from the annual equity award issued in fiscal year 2010 which vest in quarterly increments during the period ending on August 1, 2013; (ii) 5,410 RSUs from the annual equity award issued in fiscal year 2011 which vest in quarterly increments during the period ending on August 1, 2014; and (iii) 1,773 RSUs from the annual equity award issued in fiscal year 2012 which vest in quarterly increments during the period ending on November 1, 2014, subject to the Company achieving performance criteria and assuming target payout. The RSUs from the annual equity awards issued in fiscal years 2010, 2011 and 2012 for which the performance criteria have not been established as of September 30, 2012 have been treated as outstanding for purposes of this Table but are not yet treated as granted under ASC Topic 718.

(10) Comprised of the following equity awards: (i) 2,875 RSUs from the annual equity award issued in fiscal year 2010 which vest in quarterly increments during the period ending on August 1, 2013; (ii) 5,410 RSUs from the annual equity award issued in fiscal year 2011 which vest in quarterly increments during the period ending on August 1, 2014; and (iii) 3,546 RSUs from the annual equity award issued in fiscal year 2012 which vest in quarterly increments during the period ending on November 1, 2014, subject to the Company achieving performance criteria and assuming target payout. The RSUs from the annual equity awards issued in fiscal years 2010, 2011 and 2012 for which the performance criteria have not been established as of September 30, 2012 have been treated as outstanding for purposes of this Table but are not yet treated as granted under ASC Topic 718.

(11) Calculated by multiplying the number of unearned RSUs that have not vested held by the Named Executive Officer by the closing price of the Common Stock ($104.64) on September 28, 2012.

Option Exercises and Stock Vested in Fiscal Year 2012

	Stock Awards(1)	
Name	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting ($)(2)
John McAdam	48,062	$ 5,434,861
John Rodriguez	12,865	$ 1,451,727
Karl Triebes	14,080	$ 1,593,429
Manuel F. Rivelo		$
David Feringa	8,350	$ 936,977

(1) There were no option exercises in fiscal year 2012.
(2) Amounts reflect the closing price of the Common Stock on the day the stock award vested, multiplied by the number of shares.

Potential Payments Upon Termination or Change in Control

Each of our Named Executive Officers is an at-will employee, and his employment may be terminated at any time with or without cause. The Company has entered into change of control agreements with Messrs. McAdam, Rodriguez, Triebes, Rivelo and Feringa. These change of control agreements provide a protection period of two years after a change of control during which the Named Executive Officer s annual base salary and annual target incentive bonus cannot be reduced. In addition, each change of control agreement entitles the executive officer to severance benefits if his employment with the Company is terminated within two years after a change of control of the Company, unless such termination is (i) due to death or total disability, (ii) by the Company for cause, or (iii) by the executive officer without good reason. The amount of severance payable to Mr. McAdam will be equal to two times, and in the case of the other Named Executive Officers one times, the sum of the executive officer s (a) annual salary at the highest rate in effect in the 12 months preceding the change of control date and (b) highest annual target incentive bonus in effect in the 12 months preceding the change of control date. In addition, each Named Executive Officer will be entitled to a pro-rata annual bonus for the year in which his termination of employment occurs, and payment by the Company of premiums for health insurance benefit continuation for one year after termination of the Named Executive Officer s employment, outplacement services for a period of up to 12 months with a cost to the Company of up to $25,000, and vesting of equity awards. The change of control agreements do not include a tax gross up payment provision. If payments under the change of control agreements or otherwise would subject a Named Executive Officer to the IRS parachute excise tax, the Company would then either (i) reduce the payments to the largest portion of the payments that would result in no portion of the payments being subject to the parachute excise tax or (ii) pay the full amount of such payments, whichever is better on an after-tax basis for the Named Executive Officer.

For purposes of the change of control agreements, a change of control is generally defined as (i) acquisition of beneficial ownership of at least 30% of our outstanding shares; (ii) the incumbent directors or those they approve cease to constitute a majority of the Board of Directors; (iii) a consummation of a reorganization, merger or consolidation unless, following such transaction: (A) more than 50% of the shares after the transaction are beneficially owned by persons who owned shares prior to the transaction in substantially the same proportions, (B) the incumbent Board members constitute more than 50% of the members of the Board, and (C) no person newly acquires beneficial ownership of at least 30% of the shares; (iv) the sale or other disposition of all or substantially all of our assets unless the conditions described above in (A), (B) and (C) are satisfied with respect to the entity which acquires such assets; or (v) our liquidation or dissolution. In addition, the RSU grant agreements issued to our Named Executive Officers provide that upon certain changes in control of the Company the vesting of outstanding and unvested RSUs will accelerate and such RSUs will become fully vested. Named Executive Officers held no outstanding options as of September 30, 2012.

The following table sets forth an estimate of the payments and benefits that each Named Executive Officer would have received if a change of control and change in control of the Company (Change in Control) occurred on September 30, 2012 and termination of employment occurred immediately thereafter.

2012 Potential Payments Upon Termination or Change in Control Table (1)

Name	**Benefit**	**Change in Control ($)**	**Termination After Change in Control($)(4)**
John McAdam	Severance Amount(2)		$ 2,842,464
	Prorated Target Bonus		$ 157,247
	Accelerated Vesting of RSUs(3)	$ 10,912,069	
	Benefit coverage continuation		$ 15,222
	Outplacement services		$ 25,000
	Total	$ 10,912,069	$ 3,039,933
John Rodriguez	Severance Amount(2)		$ 407,832
	Prorated Target Bonus		$ 26,330
	Accelerated Vesting of RSUs(3)	$ 2,733,197	
	Benefit coverage continuation		$ 13,830
	Outplacement services		$ 25,000
	Total	$ 2,733,197	$ 472,992
Karl Triebes	Severance Amount(2)		$ 710,441
	Prorated Target Bonus		$ 58,953
	Accelerated Vesting of RSUs(3)	$ 3,522,810	
	Benefit coverage continuation		$ 22,290
	Outplacement services		$ 25,000
	Total	$ 3,522,810	$ 816,684
Manuel F. Rivelo	Severance Amount(2)		$ 575,000
	Prorated Target Bonus		$ 49,789
	Accelerated Vesting of RSUs(3)	$ 4,185,600	
	Benefit coverage continuation		$ 22,290
	Outplacement services		$ 25,000
	Total	$ 4,185,600	$ 672,079
David Feringa	Severance Amount(2)		$ 673,834
	Prorated Target Bonus		$ 62,905
	Accelerated Vesting of RSUs(3)	$ 3,438,680	
	Benefit coverage continuation		$ 22,290
	Outplacement services		$ 25,000
	Total	$ 3,438,680	$ 784,029

(1) Assumes termination or change in control occurred on September 30, 2012.

(2) The Severance Amount is the product of (a) annual salary and annual target incentive bonus, times (b) two for Mr. McAdam and one for the other Named Executive Officers.

(3) Calculated by multiplying the number of unvested RSUs held by the Named Executive Officer by the closing price of the Common Stock ($104.64) on September 28, 2012.

(4) Amounts in the column Termination after Change in Control reflect amounts payable to the Named Executive Officers if terminated within two years after a change of control. Note that the acceleration of RSUs occurs upon a Change in Control regardless of whether employment is terminated and such acceleration is shown in the column Change in Control.

Compensation of Directors

The table below summarizes the compensation paid by the Company to non-employee directors for the fiscal year ended September 30, 2012.

DIRECTOR COMPENSATION FOR FISCAL YEAR 2012

Name(1)	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Total ($)
A. Gary Ames	$ 93,269	$ 200,053	$ 293,322
Deborah L. Bevier	$ 85,000	$ 200,053	$ 285,053
Jonathan Chadwick	$ 75,934	$ 445,620	$ 521,554
Karl D. Guelich	$ 33,997	$	$ 33,997
Alan J. Higginson	$ 95,000	$ 200,053	$ 295,053
Scott Thompson	$ 48,571	$ 200,053	$ 248,624

(1) John McAdam, 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) 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 $50,000 annually for their services as members of the Board of Directors. Chairs of the Audit, Compensation and Nominating, and Corporate Governance Committees are paid an additional $20,000, $10,000 and $10,000, respectively, annually. The Chairman of the Board of Directors receives an additional $25,000 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 $15,000, $10,000 and $10,000 respectively. Directors receive cash fees in quarterly installments. Mr. Ames became chair of the Nominating and Corporate Governance Committee and Mr. Chadwick became the chair of the Audit Committee when Mr. Guelich did not stand for re-election to the Board of Directors. Mr. Ames became a member of the Compensation Committee when Mr. Thompson (previously a member of the Compensation Committee) resigned from the Board of Directors in May 2012. 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	$ 50,000	$ 14,533	$ 28,736	$ 93,269
Deborah L. Bevier	$ 50,000	$ 10,000	$ 25,000	$ 85,000
Jonathan Chadwick	$ 50,000	$ 10,934	$ 15,000	$ 75,934
Karl D. Guelich	$ 22,665	$	$ 11,332	$ 33,997
Alan J. Higginson	$ 50,000	$ 25,000	$ 20,000	$ 95,000
Scott Thompson	$ 31,456	$ 4,533	$ 12,582	$ 48,571

(3) 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, 2012. On March 15, 2012, the Board of Directors approved the recommendations of the Compensation Committee that each non-employee director receive a grant on March 15, 2012 of RSUs representing the right to receive 1,512 shares of Common Stock under the 2005 Plan (with a grant date fair value of $200,053 in accordance with ASC Topic 718), which will fully vest on March 12, 2013 if the non-employee director continues to serve as a director on that date. As of September 30, 2012, these 1,512 RSUs awarded to each non-employee director were the only RSUs held by each such director (other than Mr. Chadwick), and they were not yet vested. Mr. Chadwicks s grant date fair value includes 2,442 vested RSUs, which were awarded on November 1, 2011 in connection with his appointment to the Board of Directors.

Report of the Audit Committee

The Audit Committee consists of four directors, each of whom, in the judgment of the Board of Directors, is an independent director as defined in the listing standards for The Nasdaq Stock Market. The Audit Committee acts pursuant to a written charter that has been adopted by the Board of Directors. The Audit Committee charter is available on the About F5 Investor Relations Corporate Governance section of the Company s website, www.f5.com.

On behalf of the Board of Directors, the Audit Committee oversees the Company s financial reporting process and its internal controls over financial reporting, areas for which management has the primary responsibility. PricewaterhouseCoopers, LLP, the independent registered public accounting firm (the Auditors), is responsible for expressing an opinion as to the conformity of the audited financial statements with accounting principles generally accepted in the United States of America and for issuing its opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management and the Auditors the audited financial statements and the quarterly unaudited financial statements of the Company for the fiscal year ended September 30, 2012, matters relating to the Company s internal controls over financial reporting, and the processes that support certifications of the financial statements by the Company s Chief Executive Officer and Chief Accounting Officer.

The Audit Committee discussed with the Auditors the overall scope and plans for the annual audit. The Audit Committee meets with the Auditors, with and without management present, to discuss the results of their examinations, their consideration of the Company s internal controls in connection with their audit, and the overall quality of the Company s financial reporting.

The Audit Committee reviewed with the Auditors their judgments as to the quality and acceptability of the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards. The Audit Committee has discussed and reviewed with the Auditors all matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from the Auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the Auditors communications with the Audit Committee concerning independence, and has discussed with the Auditors the Auditors independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report to Shareholders on Form 10-K for the year ended September 30, 2012 for filing with the Securities and Exchange Commission. The Audit Committee has also selected PricewaterhouseCoopers, LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2013. The Board of Directors is recommending that shareholders ratify this selection at the Annual Meeting.

Members of the Audit Committee:

A. Gary Ames

Deborah L. Bevier

Jonathan Chadwick, Chair

Michael Dreyer

Fees Paid to PricewaterhouseCoopers LLP

The following is a summary of the fees billed to the Company by PricewaterhouseCoopers LLP for professional services rendered for the fiscal years ended September 30, 2012 and 2011:

Fee Category	Years Ended September 30, 2012	2011
Audit Fees	$ 1,328,215	$ 1,110,806
Audit-Related Fees	$ 131,800	$
Tax Fees	$ 40,204	$ 27,451
All Other Fees		
Total Fees	$ 1,500,219	$ 1,138,257

Audit Fees. Consists of fees billed for professional services rendered for the audit of the Company s consolidated financial statements, review of the interim consolidated financial statements included in quarterly reports, and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements including consultations related to compliance with the Sarbanes-Oxley Act of 2002.

Audit-Related Fees. Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company s consolidated financial statements and are not reported under Audit Fees. These services include accounting consultations in connection with acquisitions and financial accounting and reporting standards, and other services related to registration statements and public offerings. The Audit-Related Fees in fiscal year 2012 were primarily for services related to the Company s acquisition of Traffix Communication Systems Ltd.

Tax Fees. Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and international tax compliance, tax audit defense, customs and duties, mergers and acquisitions, and international tax planning.

Audit Committee Pre-Approval Procedures

The Audit Committee meets with our independent registered public accounting firm to approve the annual scope of accounting services to be performed and the related fee estimates. The Audit Committee also meets with our independent registered public accounting firm, on a quarterly basis, following completion of their quarterly reviews and annual audit and prior to our earnings announcements, to review the results of their work. During the course of the year, the Chairman of the Audit Committee has the authority to pre-approve requests for services that were not approved in the annual pre-approval process. The Chairman of the Audit Committee reports any interim pre-approvals at the following quarterly meeting. At each of the meetings, management and our independent registered public accounting firm update the Audit Committee with material changes to any service engagement and related fee estimates as compared to amounts previously approved. During fiscal year 2012, all audit and non-audit services performed by PricewaterhouseCoopers LLP for the Company were pre-approved by the Audit Committee in accordance with the foregoing procedures.

Annual Independence Determination

The Audit Committee considered whether the provision of non-audit services is compatible with the principal accountants independence and concluded that the provision of non-audit services is and has been compatible with maintaining the independence of the Company s external auditors.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of shares of Common Stock as of January 7, 2013 by (a) each person known to the Company to own beneficially more than 5% of outstanding shares of Common Stock on January 7, 2013, (b) each director and nominee for director of the Company, (c) the Named Executive Officers, as defined herein, and (d) all directors and executive officers as a group. The information in this table is based solely on statements in filings with the SEC or other reliable information.

Name and Address(1)	Number of Shares of Common Stock Beneficially Owned(2)	Percent of Common Stock Outstanding(2)
BlackRock, Inc.(3)	4,747,341	[6.0]
40 East 52nd Street, New York, New York 10022		
Sands Capital Management, LLC(4)	5,027,982	[6.4]
1101 Wilson Blvd., Suite 2300, Arlington, VA 22209		
The Vanguard Group, Inc.(5)	4,299,298	[5.5]
100 Vanguard Blvd., Malvern, PA 19355		
John McAdam(6)	141,634	[*]
John Rodriguez(7)	10,680	[*]
Karl Triebes(8)	6,748	[*]
Manuel F. Rivelo(9)	8,093	[*]
David Feringa(10)	2,054	[*]
A. Gary Ames	17,380	[*]
Sandra Bergeron		[*]
Deborah L. Bevier	7,886	[*]
Jonathan Chadwick	2,442	[*]
Michael L. Dreyer		[*]
Alan J. Higginson	30,310	[*]
Stephen Smith		[*]
All directors and executive officers as a group (16 people)(11)	297,751	[*]

* less than 1%.

(1) Unless otherwise indicated, the address of each of the named individuals is c/o F5 Networks, Inc., 401 Elliott Avenue West, Seattle, Washington 98119.

(2) Beneficial ownership of shares is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting or investment power, or of which a person has the right to acquire beneficial ownership within 60 days after January 7, 2013. Except as otherwise noted, to the Company s knowledge each person or entity has sole voting and investment power with respect to the shares shown.

(3) As reported by BlackRock, Inc. in a Schedule 13G/A filed on February 13, 2012.

(4) As reported by Sands Capital Management, LLC in a Schedule 13G filed on February 14, 2012.

(5) As reported by The Vanguard Group, Inc. in a Schedule 13G filed on February 9, 2012.

(6) Includes 8,646 shares of Common Stock underlying RSUs granted under the 2005 Plan that are issuable within 60 days of January 7, 2013. This does not include the shares of Common Stock underlying RSUs which are subject to future performance-based vesting as set forth in footnotes (4) and (5) to the Grants of Plan-Based Awards in Fiscal Year 2012 Table.

(7) Includes 1,975 shares of Common Stock underlying RSUs granted under the 2005 Plan that are issuable within 60 days of January 7, 2013. This does not include the shares of Common Stock underlying RSUs which are subject to future performance-based vesting as set forth in footnotes (4) and (5) to the Grants of Plan-Based Awards in Fiscal Year 2012 Table.

(8) Includes 2,745 shares of Common Stock underlying RSUs granted under the 2005 Plan that are issuable within 60 days of January 7, 2013. This does not include the shares of Common Stock underlying RSUs

which are subject to future performance-based vesting as set forth in footnotes (4) and (5) to the Grants of Plan-Based Awards in Fiscal Year 2012 Table.

(9) Includes 3,455 shares of Common Stock underlying RSUs granted under the 2005 Plan that are issuable within 60 days of January 7, 2013.

(10) Includes 1,480 shares of Common Stock underlying RSUs granted under the 2005 Plan that are issuable within 60 days of January 7, 2013.

(11) Includes 28,613 shares of Common Stock underlying RSUs granted under the 2005 Plan that are issuable within 60 days of January 7, 2013. This does not include the shares of Common Stock underlying RSUs which are subject to future performance-based vesting as set forth in footnotes (4) and (5) to the Grants of Plan-Based Awards in Fiscal Year 2012 Table.

Section 16 (a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires each of the Company s directors, executive officers, and beneficial owners of more than 10% of any class of equity securities of the Company registered under Section 12 of the Exchange Act to file reports of their ownership and changes in ownership with the SEC. Such persons are required by SEC regulations to furnish the Company with copies of all related Section 16(a) reports they file. Based solely on its review of copies of these reports and representations of such reporting persons, the Company believes that all applicable Section 16(a) filing requirements related to Company securities were timely satisfied during fiscal year 2012, except that one sale of shares by Mr. Rodriguez, one sale of shares by Mr. Matte, and one purchase of shares by Mr. Anderson in prior fiscal years were reported late in fiscal year 2012 because of inadvertent administrative errors.

PROPOSAL 1: ELECTION OF TWO CLASS I DIRECTORS, THREE CLASS II DIRECTORS, AND ONE CLASS III DIRECTOR

At the Annual Meeting, the shareholders will vote on the election of two Class I directors to serve until the annual meeting of shareholders for fiscal year 2014, three Class II directors to serve until the annual meeting of shareholders for fiscal year 2015, and one Class III director to serve until the annual meeting of shareholders for fiscal year 2013, and until their successors are elected and qualified. The Board of Directors has unanimously nominated Michael Dreyer and Sandra Bergeron for election to the Board of Directors as Class I directors; Deborah L. Bevier, Alan J. Higginson and John McAdam as Class II directors; and Stephen Smith as a Class III director. The nominees indicated that they are willing and able to serve as directors. If a nominee becomes unable or unwilling to serve, the accompanying proxy may be voted for the election of such other person as shall be designated by the Board of Directors. At the Annual Meeting, the proxies being solicited will be voted for no more than two nominees for a Class I director, three nominees for a Class II director and one nominee for a Class III director.

Majority Vote Standard for Director Election

The Company s Bylaws require that in an uncontested election each director will be elected by the vote of the majority of the 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. A share whose ballot is marked as withheld, which is otherwise present at the meeting but for which there is an abstention, or to which a shareholder gives no authority or direction shall not be considered a vote cast. In a contested election, the directors will be elected by the vote of a plurality of the votes cast. A contested election is one in which the number of nominees exceeds the number of directors to be elected.

In an uncontested election, a nominee who does not receive a majority vote will not be elected. Except as explained in the next paragraph, an incumbent director who is not elected because he or she does not receive a majority vote will continue to serve as a holdover director until the earliest of: (a) 90 days after the date on which an inspector determines the voting results as to that director; (b) the date on which the Board of Directors appoints an individual to fill the office held by that director; or (c) the date of the director s resignation.

The Board of Directors may fill any vacancy resulting from the non-election of a director as provided in our Bylaws. The Nominating and Corporate Governance Committee will consider promptly whether to fill the office of a nominee who fails to receive a majority vote in an uncontested election and make a recommendation to the Board of Directors about filling the office. The Board of Directors will act on the Nominating and Corporate Governance Committee s recommendation and within 90 days after the certification of the shareholder vote will disclose publicly its decision. No director who fails to receive a majority vote in an uncontested election will participate in the Nominating and Corporate Governance Committee s recommendation or Board of Directors decision about filling his or her office.

For additional information, the complete Bylaws are available on our website at www.f5.com under the About F5 Investor Relations Corporate Governance section.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR

THE ELECTION OF THE NOMINEES.

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

PROPOSAL 2. RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors requests that the shareholders ratify the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2013. The Company expects that representatives of PricewaterhouseCoopers will be present at the annual meeting to make a statement if they desire to do so and to respond to questions by shareholders.

Although not required by the Company s Bylaws or otherwise, the Audit Committee and the Board of Directors believe it appropriate, as a matter of good corporate practice, to request that the shareholders ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2013. If the shareholders do not so ratify, the Audit Committee will reconsider the appointment and may retain PricewaterhouseCoopers LLP or another firm without re-submitting the matter to the Company s shareholders. Even if the shareholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and the shareholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR

RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE

COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PROPOSAL 3. ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our shareholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC s rules. The Company is presenting this proposal which gives shareholders the opportunity to endorse or not endorse our executive compensation programs through an advisory vote for or against the following resolution:

RESOLVED, that the Company s shareholders approve, on the advisory basis, the compensation of the named executive officers, as disclosed in the Compensation Discussion and Analysis, the compensation tables and related disclosures in the proxy statement.

As described in detail under the heading *Executive Compensation Compensation Discussion and Analysis*, beginning at page , our executive compensation programs are designed to directly link executive officer compensation to and to reward executive officers for the Company s financial performance and the creation of shareholder value. We believe that our executive compensation programs have achieved these objectives and the Board of Directors urges shareholders to approve the compensation of our named executive officers by voting FOR the resolution set forth above. In deciding how to vote on this proposal, the Board of Directors urges you to consider the following factors:

The Company s Outstanding Operating Results

Annual revenue in fiscal year 2012 was $1.38 billion, a year-over-year increase of 20%.

Through the fourth quarter of fiscal year 2012, the Company had 14 consecutive quarters of revenue growth.

Product revenue grew 13% year over year and the Company s services business continued its strong performance, with services revenue increasing 30% year-over-year.

Cash flow from the Company s operating activities in fiscal year 2012 was $495 million, a year-over-year increase of 19%, which included $149 million in the fourth quarter, the highest quarterly cash flow from operations in the Company s history.

The Company continued to maintain a very strong balance sheet, with no debt and approximately $1.2 billion in cash and investments at the end of fiscal 2012.

Net income was $275 million ($3.45 per diluted share), an increase of 14% year over year.

The Company continued to maintain very strong GAAP gross margins and operating margins throughout fiscal year 2012. Quarterly GAAP gross margins exceeded 82.7% and GAAP quarterly operating margins exceeded 30.8% during fiscal year 2012. The Company maintained these impressive margins through disciplined cost management, while still adding nearly 600 new employees and continuing to make important investments to support our revenue growth, technology and market share leadership strategies.

The Company s Commitment to Delivering Long-Term Shareholder Value

The Company continued to deliver significant long-term shareholder value. During the Company s five most recent fiscal years, shareholder value increased at a compounded annual growth rate of 23%, while comparable rates for the Nasdaq Composite Index, Nasdaq Computer Index and the S&P 500 index were 3%, 7% and -1% respectively. Our share price growth rates were 47%, 164% and 181% as of September 30 over the past one, three and five year time periods. Comparable growth rates for the Nasdaq Composite Index were 29%, 47% and 15% respectively; 31%, 61% and 38% respectively for the Nasdaq Computer Index; and 27%, 36% and -6% respectively for the S&P 500 Index.

The Company s Technology and Market Share Leadership

In fiscal year 2012, we continued to launch a wide-range of initiatives and new products focused on key industry trends including data center consolidation, virtualization and cloud computing. We expanded our selection of virtual (software only) editions of our products and introduced a cloud licensing program and other cloud-enabling technologies which allows the Company to offer to hosting and cloud computing providers the first complete enterprise-class application delivery platform in the cloud.

The Company completed the successful acquisition of Traffix Systems, the leading provider of 4G Diameter signaling products which enabled the Company to significantly expand its technology offerings for telecommunications service providers.

The Company continued to expand our hardware and virtual platforms, and introduced a new VIPRION solution, the 4480 chassis and 4300 performance blade, specifically designed for service providers and large enterprises. We also introduced a new clustering technology which allows customers to combine multiple BIG-IP platforms across virtual and physical data centers to increase performance and simplify management of their applications. We also expanded our offerings of iAPP templates to simplify the deployment and management of applications.

The success of our award-winning web application firewall, BIG-IP Application Security Manager, enabled the Company to significantly expand its security solutions business. In addition, we achieved ISCA Labs certification of the latest release of our BIG-IP product family as a high performance network firewall.

In fiscal year 2012, DevCentral, the Company s global online community, surpassed 100,000 registered users, ending the year with over 110,000.

We opened our second International Technology Center in London and launched a new technical certification program focused on the Company s application delivery products and technology.

The Company continued to maintain its ADC market leadership position throughout fiscal year 2012.

Awards and Company Recognition

The Company was added to the S&P 500 index in December 2010.

Our President and Chief Executive Officer, John McAdam, received a Lifetime Achievement Award from *Seattle Business* magazine.

The Company was recognized as one of *Institutional Investor* magazine s Most Honored Companies and John McAdam and Executive Vice President and Chief Financial Officer, Andrew Reinland, were named to *Institutional Investor* magazine s All-American Executive Team and chosen by sell-side analysts as a top-performing CEO (first place) and CFO (second place), respectively, in the telecommunications sector of the Technology, Media & Telecommunications category.

For the last 4 years, the Company has appeared in FORBES magazine s List of Top 100 Small Companies.

The Company continues to be recognized as one of the outstanding employers and top technology companies in Western Washington.

Compensation Programs

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

Our compensation programs do not encourage excessive or unnecessary risks that could have a material adverse effect on the Company s value or operating results.

We conduct an annual review of our executive compensation programs and utilize peer and survey group data to evaluate these programs and to ensure that they achieve the desired goals and objectives.

We lengthened to three years the vesting period for the annual equity awards issued to the executive officers and adopted stock ownership guidelines for our executive officers to further ensure that the interests of the executive officers are aligned with those of our shareholders.

We have a policy which prohibits executive officers from engaging in short sales of the Company s securities, transactions in puts, calls or other derivative securities on an exchange or in any other organized market, and certain hedging transactions related to the Company s securities. In addition, executive officers are prohibited, except under certain limited exceptions, from holding Company securities in a margin account or pledging Company securities as collateral for a loan.

The shareholder advisory vote on executive compensation for fiscal year 2011 was approved by over 98% of the votes cast.

We conduct a shareholder advisory vote on executive compensation on an annual basis.

As an advisory vote, this proposal is not binding on the Company. However, our Board of Directors and our Compensation Committee value the opinions of our shareholders and will consider the outcome of the vote when making future compensation decisions regarding the Company s named executive officers.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR

THE APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

AS DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS, THE COMPENSATION TABLES AND THE RELATED DISCLOSURES

PROPOSAL 4. AMENDMENT TO SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION TO DECLASSIFY BOARD OF DIRECTORS AND PROVIDE FOR ANNUAL ELECTION OF DIRECTORS

The Board of Directors has unanimously adopted and is submitting for shareholder approval an amendment (the Amendment) to the Company s Second Amended and Restated Articles of Incorporation (as amended, the Articles) that would declassify the Company s Board of Directors, so that all directors stand for election annually. If the Amendment is approved by the shareholders at the Annual Meeting, our Board of Directors will amend and restate the Articles to include the Amendment.

Currently, the Articles provide that our Board of Directors is divided into three classes, with each class being elected every three years. Although the Board of Directors believes that this classified structure has provided important benefits, such as assuring continuity of the Company s business strategies and reinforcing a commitment to long-term shareholder value, the Board recognizes the growing sentiment among shareholders and the investment community in favor of annual elections. In its evaluation, the Board considered the vote approving, on an advisory basis, of a shareholder proposal at our fiscal year 2011 Annual Meeting to repeal our classified Board. After carefully weighing the relevant considerations, the Board of Directors determined that it is appropriate to propose the Amendment.

If the Amendment is approved, the declassified board structure will be phased in over a three-year period. Directors elected to three-year terms prior to the effectiveness of the Amendment (including directors elected at this fiscal year 2012 Annual Meeting) will complete those terms; and, prior to the fiscal year 2015 Annual Meeting, any director elected to fill a vacancy resulting from the death, resignation or removal of an existing director will hold office for the same remaining term as that of his or her predecessor. Beginning with the fiscal year 2015 Annual Meeting, all directors will stand for election annually.

More specifically:

Class II directors to be elected at this fiscal year 2012 Annual Meeting will serve their full three-year terms, which expire at the fiscal year 2015 Annual Meeting. Beginning with the fiscal year 2015 Annual Meeting, Class II directors will stand for election an annual basis, for one-year terms.

Class III directors, including the Class III director previously elected at the fiscal year 2010 Annual Meeting and the Class III director to be elected at this fiscal year 2012 Annual Meeting will serve the remainder of their elected terms, which expire at the fiscal year 2013 Annual Meeting. Beginning with the fiscal year 2013 Annual Meeting, Class III directors will stand for election on an annual basis, for one-year terms.

Class I directors, including the Class I director previously elected at the fiscal year 2011 Annual Meeting and the Class I directors to be elected at this fiscal year 2012 Annual Meeting, will serve the remainder of their elected terms, which expire at the fiscal year 2014 Annual Meeting. Beginning with the fiscal year 2014 Annual Meeting, Class I directors will stand for election an annual basis, for one-year terms.

The full text of the proposed Amendment is attached as Appendix A to this proxy statement, with deletions indicated by strikeouts and additions indicated by underlining.

If the Amendment is approved by the shareholders at the Annual Meeting, the changes to our Articles of Incorporation will become legally effective upon the filing of a certificate of amendment with the Washington Secretary of State, which we intend to do shortly after the Annual Meeting. If shareholders do not vote to approve the proposed Amendment, the Board will remain classified and the directors will continue to be elected to serve three-year terms, subject to their earlier death, resignation or removal.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR AMENDMENT OF THE SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION TO DECLASSIFY BOARD OF DIRECTORS AND PROVIDE FOR ANNUAL ELECTION OF DIRECTORS

OTHER BUSINESS

Neither the Board of Directors nor management intends to bring before the Annual Meeting any business other than the matters referred to in the Notice of Meeting and this Proxy Statement. If any other business should properly come before the Annual Meeting, or any adjournment thereof, the persons named in the proxy will vote on such matters according to their best judgment.

SHAREHOLDER PROPOSALS FOR THE ANNUAL MEETING FOR FISCAL YEAR 2013

Pursuant to Rule 14a-8 under the Exchange Act, some shareholder proposals may be eligible for inclusion in our 2013 proxy statement. These shareholder proposals must be submitted, along with proof of ownership of our Common Stock in accordance with Rule 14a-8(b), to our principal executive offices in care of our Corporate Secretary, F5 Networks, Inc., 401 Elliott Avenue West, Seattle, Washington 98119. We must receive all submissions no later than the close of business (5:00 p.m. Pacific Time) on September 27, 2013. Submitting a shareholder proposal does not guarantee that we will include it in our proxy statement. As the rules of the SEC make clear, simply submitting a proposal does not guarantee that it will be included.

In addition, the Company s Bylaws provide that any shareholder intending to propose any business at our annual meeting for fiscal year 2013, must provide advance notice and such advance notice must be delivered to or mailed and received at the Company s principal executive offices not later than: (a) the close of business on the ninetieth (90th) day, nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year s annual meeting, which in the case of the annual meeting for fiscal year 2013 would mean no earlier than November 13, 2013, and no later than December 13, 2013, or (b) in the case of precatory (non-binding) proposals presented under Rule 14a-8, the close of business (5:00 p.m. Pacific Time) on September 27, 2013. However, the Bylaws also provide that in the event the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year s proxy statement, this advance notice must be received not earlier than: (a) the close of business on the ninetieth (90th) day prior to such annual meeting, and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or, in the event public announcement of the date of such annual meeting is first made by the Company fewer than seventy (70) days prior to the date of such annual meeting, the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Company, or (b) in the case of precatory (non-binding) proposals presented under Rule 14a-8, a reasonable time before the company begins to print and send its proxy materials. Each shareholder s notice must contain the following information as to each matter the shareholder proposes to bring before the annual meeting: (A) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (B) the name and address, as they appear on the Company s books, of the shareholder proposing such business, (C) the class and number of shares of the Company that are beneficially owned by the shareholder, (D) any material interest of the shareholder in such business and (E) any other information that is required to be provided by the shareholder pursuant to Regulation 14A under the Exchange Act, in such shareholder s capacity as a proponent of a shareholder proposal. The Company reserves the right to reject, rule out of order, or take appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

A copy of the full text of the provisions of the Company s Bylaws dealing with shareholder nominations and proposals is available to shareholders from the Secretary of the Company upon written request.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and Annual Reports to Shareholders with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as householding, potentially means extra convenience for shareholders and cost savings for the Company by reducing printing and postage costs. Under this procedure, the Company will deliver only one copy of the Company s Annual Report to Shareholders for fiscal 2012 (the 2012 Annual Report) and this Proxy Statement to multiple shareholders who share the same address (if they appear to be members of the same family), unless the Company has received contrary instructions from an affected shareholder.

The 2012 Annual Report and this Proxy Statement may be found under the About F5 Investor Relations Corporate Governance section of the Company s website at www.f5.com. The Company will deliver promptly upon written or oral request a separate copy of the 2012 Annual Report and this Proxy Statement to any shareholder at a shared address to which a single copy of either of those documents was delivered. To receive a separate copy of the 2012 Annual Report or this Proxy Statement, shareholders should contact the Company at: Investor Relations, F5 Networks, Inc., 401 Elliott Avenue West, Seattle, Washington 98119. The Company s telephone number at that location is 206-272-5555.

If you are a shareholder, share an address and last name with one or more other shareholders and would like either to request delivery of a single copy of the Company s Annual Report to Shareholders or proxy statements for yourself and other shareholders who share your address or to revoke your householding consent and receive a separate copy of the Company s Annual Report to Shareholders or Proxy Statement in the future, please contact Broadridge Financial Solutions, Inc. (Broadridge), either by calling toll free at (800) 542-1061 or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. You will be removed from the householding program within 30 days of receipt of the revocation of your consent.

A number of brokerage firms also have instituted householding. If you hold your shares in street name, please contact your broker, nominee or other holder of record to request information about householding.

By Order of the Board of Directors

Jeffrey A. Christianson
Executive Vice President, General Counsel and Secretary

Directions to the Annual Meeting of Shareholders of F5 Networks, Inc.

351 Elliott Avenue West | Seattle, Washington 98119 | (206) 272-5555

From Interstate 5 North and South:

Exit at Mercer Street.

Continue straight on Mercer Street.

Mercer Street will become Broad Street.

Continue on Broad Street until you reach Denny Way (gas station on the left).

Turn right onto Denny Way. As you go down the hill, Denny Way will veer right and connect with Elliott Avenue West. Continue about two blocks and turn left on W. Harrison Street. Proceed to the underground parking garage.

From State Route 99 (Aurora Avenue) Southbound:

Exit 99 at Denny Way; take a right at the top of the ramp.

Follow Denny Way for approximately 1.5 miles; as you go down the hill, Denny Way will veer right and connect with Elliott Avenue West. Continue about two blocks and turn left on W. Harrison Street. Proceed to the underground parking garage.

From State Route 99 (Aurora Avenue) Northbound:

Follow 99 across waterfront area; exit at Western Avenue.

Continue up Western Avenue which will run into Elliott Avenue West at Denny Way.

Proceed straight through the intersection at Denny Way and on to Elliott Avenue West. Continue about two blocks and turn left on W. Harrison Street. Proceed to the underground parking garage.

Parking   351 and 401 Elliott Avenue West, Seattle, WA 98119:

Parking will be provided at the 351 and 401 Elliott Avenue West entrance located at W. Harrison Street. To get to the parking garage follow the driving directions above to W. Harrison Street and take a left. Proceed through the turnaround and park in the underground garage. Follow the garage signs to the 351 Elliott Ave. West building elevator. Take the elevator up to the first floor to the conference room. Bring your parking ticket for validation.

Appendix A

PROPOSED AMENDMENT TO SECOND AMENDED AND RESTATED

ARTICLES OF INCORPORATION TO DECLASSIFY BOARD OF DIRECTORS

AND PROVIDE FOR AN ANNUAL ELECTION OF DIRECTORS

III.

DIRECTORS

3.1 The number of directors of the Corporation and the manner in which such directors are to be elected shall be as set forth in the Bylaws.

3.2 Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances~~, the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the adoption and filing of this Certificate of Incorporation, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the adoption and filing of this Certificate of Incorporation, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the adoption and filing of this Certificate of Incorporation, the term of office of the Class III directors shall expire and Class III directors shall be~~ and subject to the provisions of Section 3.4 below:

(a) any director elected by the shareholders at or after the annual meeting of shareholders held in 2014 shall hold office until the next annual meeting of shareholders and until such director s successor is duly elected and qualified or until such director s death, resignation or removal; and

(b) any director elected ~~for a full term of three years. At each succeeding~~ prior to the annual meeting of ~~stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms~~shareholders held in 2014 whose term does not expire at such annual meeting~~.~~

~~Notwithstanding the foregoing provisions of this section, each director shall serve until his~~of shareholders held in 2014 shall hold office for the remainder of the term for which such director was elected and until such director s successor is duly elected and qualified or unti~~l his~~such director s death, resignation or removal.

Neither the Board of Directors nor any individual director may be removed without cause. Subject to any limitation imposed by law, any individual director or directors may be removed with cause by the holders of a majority of the voting power of the corporation entitled to vote at an election of directors. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

3.3 In furtherance and not in limitation of the powers conferred by statute, the Board of Directors shall have the power to make, adopt, amend or repeal the Bylaws, or adopt new Bylaws for this Corporation, by a resolution adopted by a majority of the directors.

3.4 Vacancies in the board of directors may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director. The shareholders may elect a director at any time to fill any vacancy not filled by the directors. Any director appointed or elected to fill a vacancy in the board of directors (a) resulting from the death, resignation or removal of a prior director shall have the same remaining term as that of his or her predecessor and (b) resulting from an increase in the size of the Board of Directors shall hold office until the next annual meeting of shareholders, in each case subject to the election and qualification of a successor and to such director s earlier death, resignation or removal.

F5 NETWORKS, INC.

FISCAL YEAR 2012 ANNUAL MEETING OF SHAREHOLDERS

March 13, 2013

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints John McAdam and Jeffrey A. Christianson (collectively, the proxies), and each of them, with full power of substitution, as proxies to vote at the annual meeting of shareholders of F5 Networks, Inc. (the Company) for fiscal year 2012, to be held on March 13, 2013 at 11:00 a.m., local time, at F5 Networks, Inc., 351 Elliott Avenue West, Seattle, Washington 98119, and at any adjournment thereof, hereby revoking any proxies heretofore given, to vote all shares of Common Stock of the Company, held or owned by the undersigned, as directed on the reverse side of this proxy card, and in his discretion upon such other matters as may come before the meeting.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors recommendations.

(TO BE SIGNED ON REVERSE SIDE)

[F5 LOGO]

F5 NETWORKS, INC.

401 ELLIOTT AVENUE WEST

SEATTLE, WASHINGTON 98119

VOTE BY INTERNET **www.proxyvote.com**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. 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.

Electronic Delivery of Future PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE **1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

F5 NETWORKS, INC.

Vote on Directors

		For	Against	Abstain
1.	Election of Two Class I Directors Nominees:	For	Against	Abstain
	1a. Michael Dreyer	..	..	..
	1b. Sandra Bergeron	..	..	..
	Election of Three Class II Directors Nominees:	For	Against	Abstain
	1c. Deborah L. Bevier	..	..	..
	1d. Alan J. Higginson	..	..	..
	1e. John McAdam	..	..	..
	Election of One Class III Director Nominee:	For	Against	Abstain
	1f. Stephen Smith	..	..	..

The Board of Directors recommends you vote FOR the nominees.

Vote On Proposals		For	Against	Abstain
2.	Ratify the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for fiscal year 2013.	..	..	..

The Board of Directors recommends a vote FOR Proposal 2.

3.	Advisory vote on compensation of our named executive officers.	..	..	..

The Board of Directors recommends a vote FOR Proposal 3.

4.	Adopt and approve an amendment to our Second Amended and Restated Articles of Incorporation to declassify our Board of Directors and provide for an annual election of directors.	..	..	..

The Board of Directors recommends you vote FOR Proposal 4.

This proxy is revocable and when properly executed, will be voted in the manner directed by the undersigned shareholder. UNLESS CONTRARY DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE NOMINEES, FOR PROPOSAL 2, FOR PROPOSAL 3 AND FOR PROPOSAL 4.

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

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature (PLEASE SIGN WITHIN BOX)	Date	Signature (Joint Owners)	Date