F5 NETWORKS INC

FORM 10-Q
(Quarterly Report)

Filed 8/13/2001 For Period Ending 6/30/2001

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Industry	Computer Networks
Sector	Technology
Fiscal Year	09/30

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____ .

Commission File Number 000-26041

F5 NETWORKS, INC.
(Exact name of registrant as specified in its charter)

WASHINGTON	**91-1714307**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

401 Elliott Avenue West
Seattle, Washington 98119
(Address of principal executive offices and zip code)

(206) 272-5555
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes [X] No [ ].

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: 24,799,397 shares of common stock, no par value, as of August 6, 2001.

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FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2001

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PART I. FINANCIAL INFORMATION

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PART I

Item 1. ***Financial Statements***

F5 NETWORKS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2001	September 30, 2000
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,597	$ 53,017
Accounts receivable, net of allowances of $2,762 and $1,666	25,637	38,237
Inventories	4,164	5,231
Other current assets	4,428	2,290
Deferred income taxes	4,961	1,858
Total current assets	107,787	100,633
Restricted cash	6,427	6,182
Property and equipment, net	16,737	13,524
Other assets, net	679	541
Deferred income taxes	2,493	1,540
Total assets	$134,123	$122,420
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,722	$ 10,561
Accrued liabilities	11,102	7,975
Deferred revenue	12,203	16,199
Total current liabilities	27,027	34,735
Shareholders' equity:		
Common stock, no par value; 100,000,000 shares authorized 24,690,000 and 21,613,000 shares issued and outstanding	123,393	87,419
Note receivable from shareholder	(469)	(469)
Accumulated other comprehensive income (loss)	353	(52)
Unearned compensation	(746)	(3,061)
Retained earnings (accumulated deficit)	(15,435)	3,848
Total shareholders' equity	107,096	87,685
Total liabilities and shareholders' equity	$134,123	$122,420

The accompanying notes are an integral part of these condensed consolidated financial statements.

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F5 NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands except per share data)

	Three months ended June 30,		Nine months ended June 30,	
	2001	2000	2001	2000
Net revenues:				
Products	$21,298	$23,834	$ 58,795	$58,648
Services	7,703	5,387	22,006	13,350
Total net revenues	29,001	29,221	80,801	71,998
Cost of net revenues:				
Products	7,701	6,032	23,540	15,709
Services	2,908	2,238	9,730	5,089
Provision for excess inventory	—	—	4,910	—
Total cost of net revenues	10,609	8,270	38,180	20,798
Gross profit	18,392	20,951	42,621	51,200
Operating expenses:				
Sales and marketing	12,311	10,575	38,480	24,769
Research and development	4,242	3,422	13,533	8,408
General and administrative	3,138	2,222	11,962	5,448
Restructuring charge	—	—	975	—
Amortization of unearned compensation	245	434	2,416	1,447
Total operating expenses	19,936	16,653	67,366	40,072
Income (loss) from operations	(1,544)	4,298	(24,745)	11,128
Other income, net	562	855	1,394	2,414
Income (loss) before income taxes	(982)	5,153	(23,351)	13,542
Provision (benefit) for income taxes	629	1,308	(4,068)	1,308
Net income (loss)	$ (1,611)	$ 3,845	$(19,283)	$12,234
Net income (loss) per share — basic	$ (0.07)	$ 0.18	$ (0.88)	$ 0.58
Weighted average shares — basic	22,194	21,354	21,928	20,994
Net income (loss) per share — diluted	$ (0.07)	$ 0.17	$ (0.88)	$ 0.53
Weighted average shares — diluted	22,194	23,004	21,928	22,933

The accompanying notes are an integral part of these condensed consolidated financial statements.

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F5 NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine months ended June 30,

	2001	2000
Cash flows from operating activities:		
Net (loss) income	$(19,283)	$ 12,234
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Restructuring charges	975	—
Provisions for asset write downs	378	—
Gain/Loss on sale of assets	120	—
Provision for inventory write down	4,910	—
Unrealized gain/loss on investments	220	131
Amortization of unearned compensation	2,415	1,447
Provision for doubtful accounts and sales returns	9,828	2,004
Depreciation and amortization	3,750	1,552
Deferred income taxes	(4,056)	(2,482)
Tax benefit from exercise of stock options	—	3,267
Changes in operating assets and liabilities:		
Accounts receivable	2,827	(18,838)
Inventories	(1,920)	(1,139)
Other assets	(3,131)	(2,377)
Accounts payable and accrued liabilities	(6,832)	3,877
Deferred revenue	(3,970)	7,843
Net cash (used in) provided by operating activities	(13,769)	7,519
Cash flows from investing activities:		
Increase in restricted cash	(245)	(3,073)
Proceeds from the sale of property and equipment	90	—
Proceeds from leasehold improvements refund	851	—
Purchases of property and equipment	(8,932)	(7,802)
Net cash used in investing activities	(8,236)	(10,875)
Cash flows from financing activities:		
Proceeds from the issuance of common stock to Nokia	34,928	—
Costs accrued in connection with the issuance of common stock	1,750	—
Proceeds from the secondary offering, net of issuance costs	—	31,475
Proceeds from the exercise of stock options and warrants	2,028	3,002
Proceeds from payments on shareholder loan	—	234
Repurchase of common stock	(1,082)	—
Net cash provided by financing activities	37,624	34,711
Net increase in cash and cash equivalents	15,619	31,355
Effect of exchange rate changes on cash and cash equivalents	(39)	73
Cash and cash equivalents, at beginning of period	53,017	24,797
Cash and cash equivalents, at end of period	$ 68,597	$ 56,225

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. The Company and Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared by F5 Networks, Inc. ("F5") in accordance with the rules and regulations of the Securities and Exchange Commission for interim financial statements. Accordingly, certain information and footnote disclosures, normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to such rules and regulations. In the opinion of management of the Company, the unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's financial position at June 30, 2001, its operating results for the three and nine months ended June 30, 2001 and 2000 and cash flows for the nine months ended June 30, 2001 and 2000. The condensed consolidated balance sheet at September 30, 2000 has been derived from audited financial statements as of that date. These consolidated financial statements and the notes should be read in conjunction with the Company's consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission on December 13, 2000.

2. Summary of Significant Accounting Policies:

Principles of Consolidation

The financial statements consolidate the accounts of F5 Networks, Inc. and its wholly owned subsidiaries F5 Networks, Ltd., F5 Networks, Singapore Pte. Ltd. and F5 Networks, Japan K.K. and are collectively hereinafter referred to as the "Company". All intercompany transactions have been eliminated.

Reclassifications

Certain reclassifications to historical amounts within the consolidated financial statements have been made to conform with current year presentations. Such reclassifications did not impact historical net income (loss) or cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes software revenue under Statement of Position 97-2, "Software Revenue Recognition," and SOP 98-9 "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions."

The Company sells products through resellers, original equipment manufacturers and other channel partners, as well as to end users, under similar terms. The Company generally combines software license, hardware, installation and customer support elements into a package with a single "bundled" price. The Company allocates a portion of the sales price to each element of the bundled package based on their respective fair values when the individual elements are sold separately. Revenues from the license of software, net of an allowance for estimated returns, are recognized when the product has been shipped and the customer is obligated to pay for the product.

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Installation revenue is recognized when the product has been installed at the customer's site. Revenues for customer support are recognized on a straight-line basis over the service contract terms. Estimated sales returns are based on historical experience by product and are recorded at the time revenues are recognized.

Cash Equivalents and Short-Term Investments

Cash equivalents are highly liquid investments, consisting of investments in money market funds and marketable securities which are

readily convertible to cash and subject to insignificant risk of changes in value. The Company's cash and cash equivalents balance consists of the following:

	June 30, 2001	September 30, 2000
	(in thousands)	
Cash	$44,883	$18,354
Short-term investments	23,714	34,663
	$68,597	$53,017

Concentration of Credit Risk

The Company places its temporary cash investments with major financial institutions. As of June 30, 2001, all of the Company's temporary cash investments were placed with five institutions.

The Company's customers are from diverse industries and geographic locations. The majority of net revenues from international customers are denominated in U.S. dollars and were approximately $9.6 million for the three months ended June 30, 2001, and $5.9 million for the three months ended June 30, 2000. For the nine months ended June 30, 2001 and 2000, one customer accounted for 9% and 17% of net revenues, respectively. One customer accounted for 8% and 6% of the Company's accounts receivable balance at June 30, 2001 and 2000, respectively. A single customer accounted for 8% and 13% of the Company's net revenues for the three months ended June 30, 2001 and June 30, 2000, respectively.

Inventories

Inventories consist of hardware, software and related component parts and are recorded at the lower of cost or market (as determined by the first-in, first-out method).

Inventories are comprised of the following:

	June 30, 2001	September 30, 2000
	(in thousands)	
Finished goods	$ 5,230	$2,045
Raw materials	2,210	3,186
Less: Provision for excess of inventory	(3,276)	—
	$ 4,164	$5,231

Due to changes in current market conditions and a revision of our sales forecast, a review was made of our inventory needs and an assessment of our future purchase commitments as of March 31, 2001. As a result, we determined a provision for excess inventory and future purchase commitments would be recorded. The provision for excess inventory was charged to cost of revenues in the amount of $3.8 million for the nine months ended June 30, 2001, which consisted of a $3.0 million inventory valuation allowance and $800,000 of future purchase commitments. An additional $1.1 million was included in the provision for excess inventory in the statement of operations. The charge is associated with changes in the configuration of our EDGE-FX Cache product, which will increase the functionality of the product. These costs are associated with updating both existing inventory and product previously sold to customers, as well as costs to fulfill existing purchase commitments and have been

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included in cost of revenues for the nine months ended June 30, 2001. During the quarter ended June 30, 2001 the provision for excess inventory increased by $236,000 due to the receipt of fully reserved, prepaid inventory. As of June 30, 2001 no amount of the reserve has been utilized.

Comprehensive Income (Loss)

The following table sets forth a reconciliation of net income (loss) to comprehensive income (loss), net of tax:

	Three months ended June 30,		Nine months ended June 30,	
	2001	2000	2001	2000
	(in thousands)		(in thousands)	
Net income (loss)	$(1,611)	$3,845	$(19,283)	$12,234
Unrealized gain on investments	34	44	221	131
Foreign currency translation adjustment	22	(329)	185	(336)
Comprehensive income (loss)	$(1,555)	$3,560	$(18,877)	$12,029

Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common and dilutive common stock equivalent shares outstanding during the period. The Company excludes the impact of dilutive common stock equivalent shares from the calculation of diluted net income (loss) per share when the inclusion of such elements would be antidilutive.

The following table sets forth the computation of basic and diluted net income (loss) per share for the three and nine months ended June 30, 2001 and 2000:

	Three months ended June 30,		Nine months ended June 30,	
	2001	2000	2001	2000
	(in thousands, except per share data)		(in thousands, except per share data)	
Numerator:				
Net income (loss)	$ (1,611)	$ 3,845	$(19,283)	$12,234
Denominator:				
Weighted average shares outstanding — basic	22,194	21,354	21,928	20,994
Dilutive effect of common shares from stock options		1,640		1,922
Dilutive effect of common shares from warrants		10		17
Weighted average shares outstanding — diluted	22,194	23,004	21,928	22,933
Basic net income (loss) per share	$ (0.07)	$ 0.18	$ (0.88)	$ 0.58
Diluted net income (loss) per share	$ (0.07)	$ 0.17	$ (0.88)	$ 0.53

Restructuring Charge

During the first fiscal quarter of 2001, we recorded a restructuring charge of $1.1 million in connection with management’s decision to bring operating expenses in line with the business revenue growth model. As a result of

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changes in the business revenue growth model, the Company terminated 96 employees throughout all divisions of the Company. In January

2001, all identified employees had been terminated. During the quarter ended March 31, 2001, we reversed $96,000 of the original accrual due to a revision of previous estimates. As of March 31, 2001, substantially all of the restructuring charge accrued during the first fiscal quarter of 2001 had been paid.

Recent Accounting Pronouncements

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In July 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 deferred the effective date of SFAS No. 133 until fiscal years beginning after June 15, 2000. The Company does not use derivative instruments, therefore the adoption of this statement will not have any effect on the Company's results of operations or its financial position.

In December 1999, SEC Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements," was issued. This pronouncement summarizes certain of the SEC staff's views in applying generally accepted accounting principles to revenue recognition. SAB 101 is required to be adopted by the Company for the year ended September 30, 2001. The Company implemented SAB 101 in the first quarter of the fiscal year 2001 and there was no material impact on the Company's financial statements.

In July of 2001 the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 141 "Business Combinations" (SFAS No. 141) which is effective for all business combinations initiated after July 1, 2001. SFAS No. 141, supersedes APB Opinion No. 16, Business Combinations, and FASB Statement No. 38, Accounting for Preacquisition Contingencies of Purchased Enterprises and requires that all business combinations be accounted for using the purchase method of accounting. Further, SFAS No. 141 requires certain intangibles to be recognized as assets apart from goodwill if they meet certain criteria and also requires expanded disclosures regarding the primary reasons for consummation of the combination and the allocation of the purchase price paid to the assets acquired and liabilities assumed by major balance sheet caption. The Company is currently in the process of assessing the impact of this statement on the financial position of the Company.

In July of 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142) which is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 supercedes APB Opinion No. 17, Intangible Assets, and addresses financial accounting and reporting for intangible assets acquired individually or with a group of other assets and the accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under the model set forth in SFAS No. 142, goodwill is no longer amortized to earnings, but instead be subject to periodic testing for impairment. The Company is currently in the process of assessing the impact of this statement on the financial position of the Company.

3. Sale of Common Stock to Nokia

On June 26, 2001, we entered into a Common Stock and Warrant Purchase Agreement with Nokia Finance International B.V. ("NFI"). Under this Agreement, we issued and sold to NFI (i) 2,466,421 shares of Common Stock and (ii) warrants (the "Warrants") to purchase additional shares of Common Stock. We received total proceeds of $34.9 million, net of $1.8 million in estimated issuance costs from the sale of these shares and the Warrants. The Warrants allow NFI to purchase additional shares of Common Stock to increase its ownership percentage in the Company (up to a maximum of one share less than 20%) during three ten business day periods beginning on December 31, 2001, June 30, 2002 and December 31, 2002, at an exercise price equal to the average 10-day closing price before the start of each period. As a condition to closing the Agreement, the Company appointed a nominee of NFI to its Board of Directors. As part of this transaction, the Company and NFI also entered into an OEM Software License Agreement and a Technology Development Agreement.

In addition, the Company and NFI entered into an Investor's Rights Agreement that governs the relationship between the Company and NFI. Among other things, this agreement grants to NFI certain preemptive and registration rights, as well as the right to nominate a representative to the Company's Board of Directors. The Investor's Rights Agreement will terminate on the latest of (i) the second anniversary of the Investor's Rights Agreement, (ii) the termination of the OEM Agreement, or (iii) the termination of the Technology Agreement.

We recorded the issuance of the Common Stock and Warrants by allocating the net proceeds to the Common Stock and the Warrants, based upon their relative fair values at the date of issuance. The fair value allocated to the Warrants was $1.7 million based on an independent valuation. Based upon the relative fair value at the date of issuance, the amount of net proceeds allocated to the Warrants, and included as a component of common stock, was $1.6 million. The amount allocated to the Common Stock was $33.4 million.

NFI has also signed a two-year OEM license and reseller agreement that gives them access to all of F5's iTCM products. Beginning immediately, Nokia may resell all of our products and integrate our software as part of its market-leading network security solutions, including

its firewall and VPN (Virtual Private Network) product families.

In addition, over the next several months, F5 and NFI will define and pursue a number of joint technology development projects, beginning with the integration between F5's iTCM software and NFI's current products, such as its Network Management System (NMS.) Other joint development initiatives may encompass wireless CDNs (Content Deliver Networks) and carrier class Internet Traffic Management devices.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations*** **.**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Financial Statements and Notes. Our discussion contains forward-looking statements based upon current expectations. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements that are not historical facts. Because these forward-looking statements involve risks and uncertainties, our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" and "Business" in the Company's Form 10-K for the fiscal year ended September 30, 2000, and elsewhere in this report.

Overview

F5 Networks, Inc. ("F5") is a leading provider of integrated Internet traffic and content management solutions designed to improve the availability and performance of Internet-based servers and applications. Our Internet traffic products monitor and manage local and geographically dispersed servers and intelligently direct traffic to the server best able to handle a user's request. Our content management products enable network managers to increase access to content by capturing and storing it at points between production servers and end-users and ensure that newly published or updated files and applications are replicated uniformly across all target servers. When combined with our network management tools, these products help organizations optimize their network server availability and performance and cost-effectively manage their Internet infrastructure.

Currently, we derive approximately 55.8% of our net revenues from sales of BIG-IP, and we expect to derive a significant portion of our net revenues from sales of BIG-IP in the future. For the three months ended June 30, 2001, no individual customer represented more than 10% of our total revenues.

Net revenues derived from customers located outside of the United States were $9.6 million and $5.9 million for the three months ended June 30, 2001 and 2000, respectively. We plan to continue expanding our international operations, primarily in the European and the Asia Pacific markets, because we believe international markets represent significant growth opportunity.

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Customers who purchase our products have the option to receive installation services and an initial customer support contract, typically covering a 12-month period. We generally combine the software license, installation, and customer support elements of our products into a package with a single price. We allocate a portion of the sales price to each element of the bundled package based on their respective fair values as determined when the individual elements are sold separately. Customers may also purchase consulting services, training and renew their initial customer support contract.

Revenues from the sale of our products and software licenses are recognized when the product has been shipped and the reseller or end user is obligated to pay for the product. Services revenue for installation is recognized when the product has been installed at the customer's site. Revenues for customer support are recognized on a straight-line basis over the service contract term. Consulting services are customarily billed at fixed rates, plus out-of-pocket expenses, and revenues are recognized when the consulting has been completed. Training revenue is recognized when the training has been completed. Estimated sales returns are based on historical experience by product and are recorded at the time revenues are recognized.

Our ordinary payment terms to our domestic customers are net 30 days. Our ordinary payment terms to our international customers are net 60 days. We have offered extended payment terms beyond ordinary terms to some customers. For these arrangements, revenue is generally recognized ratably over the terms of the arrangement.

In view of the rapidly changing nature of our business, our limited operating history and the current economic conditions, we believe that period-to-period comparisons of net revenues and operating results are not necessarily meaningful and should not be relied upon as indicators of future performance. To achieve profitability we will need to increase our net revenues and manage operating expenses.

On June 26, 2001, we entered into a Common Stock and Warrant Purchase Agreement with Nokia Finance International B.V. ("NFI"). Under this Agreement, we issued and sold to NFI (i) 2,466,421 shares of Common Stock and (ii) warrants (the "Warrants") to purchase additional shares of Common Stock. We received total proceeds of $34.9 million, net of $1.8 million in estimated issuance costs from the sale

of these shares and the Warrants. The Warrants allow NFI to purchase additional shares of Common Stock to increase its ownership percentage in the Company (up to a maximum of one share less than 20%) during three ten business day periods beginning on December 31, 2001, June 30, 2002 and December 31, 2002, at an exercise price equal to the average 10-day closing price before the start of each period.

We recorded the issuance of the Common Stock and Warrants by allocating the net proceeds to the Common Stock and the Warrants, based upon their relative fair values at the date of issuance. The fair value allocated to the Warrants was $1.7 million based on an independent valuation. Based upon the relative fair value at the date of issuance, the amount of net proceeds allocated to the Warrants and included as a component of common stock was $1.6 million. The amount allocated to the Common Stock was $33.4 million.

NFI has also signed a two-year OEM license and reseller agreement that gives them access to all of F5's iTCM products. Beginning immediately, Nokia may resell all of our products and integrate our software as part of its market-leading network security solutions, including its firewall and VPN (Virtual Private Network) product families.

In addition, over the next several months, F5 and NFI will define and pursue a number of joint technology development projects, beginning with the integration between F5's iTCM software and NFI's current products, such as its Network Management System (NMS.) Other joint development initiatives may encompass wireless CDNs (Content Deliver Networks) and carrier class Internet Traffic Management devices.

We have recorded a total of $8.3 million of stock compensation costs since our inception through June 30, 2001. These charges represent the difference between the exercise price and the deemed fair value of certain stock options granted to our employees and outside directors. These options generally vest ratably over a four-year period. We are amortizing these costs using an accelerated method as prescribed by FASB interpretation No. 28 ("FIN No. 28") and have recorded stock compensation charges of $2.1 million, $2.5 million and $420,000 for the years ended

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September 30, 2000, 1999 and 1998, respectively and $245,000 and $ 434,000 for the three months ended June 30, 2001 and 2000 respectively.

We expect to recognize amortization expense related to unearned compensation of approximately $2.6 million, $400,000, $60,000 and $0 during the years ended September 30, 2001, 2002, 2003 and 2004, respectively. We cannot guarantee, however, that we will not accrue additional stock compensation costs in the future or that our current estimate of these costs will prove accurate.

Results of Operations

The following table sets forth financial data as a percentage of total net revenues for the periods indicated.

	Three months ended June 30,		Nine months ended June 30,	
	2001	2000	2001	2000
	(unaudited)		(unaudited)	
Statement of Operations Data:				
Net revenues:				
Products	73.4%	81.6%	72.8%	81.5%
Services	26.6	18.4	27.2	18.5
Total net revenues	100.0	100.0	100.0	100.0
Cost of net revenues:				
Products	26.6	20.6	29.1	21.8
Services	10.0	7.7	12.1	7.1
Provision for excess inventory			6.1	
Total cost of net revenues	36.6	28.3	47.3	28.9
Gross margin	63.4	71.7	52.7	71.1
Operating expenses:				

Sales and marketing	42.5	36.2	47.6	34.4
Research and development	14.6	11.7	16.7	11.7
General and administrative	10.8	7.6	14.8	7.6
Restructuring charges	—	—	1.2	—
Amortization of unearned compensation	0.8	1.5	3.0	2.0
Total operating expenses	68.7	57.0	83.3	55.7
Income (loss) from operations	(5.3)	14.7	(30.6)	15.4
Other income, net	—	—	—	—
Interest income, net	1.9	2.9	1.7	3.3
Income (loss) before income taxes	(3.4)	17.6	(28.9)	18.7
Income tax provision (benefit)	2.2	4.4	(5.0)	1.8
Net (loss) income	(5.6%)	13.2%	(23.9)%	16.9%

Net Revenues:

Net revenues consist of sales of our products, which include software licenses, and services. Services include revenue from installation, service and support agreements provided as part of the initial product sale, sales of extended service and support contracts, consulting services, and training.

Product revenues . Product revenues decreased by 10.6% from $23.8 million for the three months ended June 30, 2000 to $21.3 million for the three months ended June 30, 2001. Product revenues increased 0.3% from $58.6 million for the nine months ended June 30, 2000 to $58.8 million for the nine months ended June 30, 2001. The decrease in the quarterly comparative product revenues was due primarily to a decrease in the quantity of product sold in the North American market.

Service revenues . Service revenues increased by 43.0% from $5.4 million for the three months ended June 30, 2000 to $7.7 million for the three months ended June 30, 2001. Service revenues increased 64.8% from $13.4 million for the nine months ended June 30, 2000 to $22.0 million for the nine months ended June 30, 2001. The

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increase was due primarily to an increase in the installed base of our products and the renewal of service and support contracts.

International revenues represented 33% and 20% of net revenues for the three months ended June 30, 2001 and 2000, respectively. International revenues represented 32% and 17% for the nine months ended June 30, 2001 and 2000. We expect international sales will continue to represent a significant portion of net revenues, although we cannot assure you that international sales as a percentage of net revenues will remain at current levels.

In the future our average selling prices may decrease primarily as a result of a shift in our channel mix and, to a lesser extent, increased competition. This decrease may have a negative impact on our gross margin. In addition, certain of the third-party components, included in our products, are subject to significant price changes based on market supply and demand and may significantly increase in price in the future. Due to limited supply, any such increase may also have a negative impacet on our gross margin.

Cost of Net Revenues:

Cost of net revenues consists primarily of hardware components, finished products, fees for third-party software products integrated into our products, service and support personnel, and allocation of our facilities and depreciation expenses.

Cost of product revenues . Cost of product revenues increased by 27.7%, from $6.0 million for the three months ended June 30, 2000 to $7.7 million for the three months ended June 30, 2001 and increased as a percentage of net revenues from 20.6% to 26.6% for the same periods. Cost of product revenues increased by 49.9% from $15.7 million for the nine months ended June 30, 2000 to $23.5 million for the nine months ended June 30, 2001 and increased as a percentage of net revenues from 21.8% to 29.1% for the same periods. The increases as a

percentage of net revenues were due to component enhancements of our products and a decrease in our average selling price as a result of a change in our channel mix.

Cost of service revenues . Cost of service revenues increased by 29.9%, from $2.2 million for the three months ended June 30, 2000 to $2.9 million for the three months ended June 30, 2001 and increased as a percentage of net revenues from 7.7% to 10.0% for the same periods. Cost of service revenues increased by 91.2% from $5.1 million for the nine months ended June 30, 2000 to $9.7 million for the nine months ended June 30, 2001 and increased as a percentage of net revenues from 7.1% to 12.0% for the same periods. These increases were due to increased personnel from 82 at June 30, 2000 to 90 at June 30, 2001, and the related costs.

Provision for excess inventory. Due to changes in current market conditions and a revision of our sales forecast, a review was made of our inventory needs and an assessment of our future purchase commitments as of March 31, 2001. As a result, we determined a provision for excess inventory and future purchase commitments would be recorded. The provision for excess inventory was charged to cost of revenues in the amount of $3.8 million for the nine months ended June 30, 2001 which consisted of a $3.0 million inventory valuation allowance and $800,000 of future purchase commitments. An additional $1.1 million was included in the provision for excess inventory in the statement of operations. The charge is associated with changes in the configuration of our EDGE-FX Cache product, which will increase the functionality of the product. These costs are associated with updating both existing inventory and product previously sold to customers, as well as costs to fulfill existing purchase commitments and have been included in cost of revenues for the nine months ended June 30, 2001. During the quarter ended June 30, 2001 the provision for excess inventory increased $236,000 due to the receipt of fully reserved, prepaid inventory. As of June 30, 2001 no amount of the reserve has been utilized.

Sales and marketing . Our sales and marketing expenses consist primarily of salaries, commissions and related benefits of our sales and marketing staff, costs of our marketing programs, including public relations, advertising and trade shows and an allocation of our facilities and depreciation expenses. Sales and marketing expenses increased by 16.4%, from $10.6 million for the three months ended June 30, 2000 to $12.3 million for the three months ended June 30, 2001. Sales and marketing expenses increased by 55.4% from $24.8 million for the nine months ended June 30, 2000 to $38.5 million for the nine months ended June 30, 2001. These increases were due to an increase in sales and marketing and professional services personnel from 115 to 213, increased

commissions, and increased advertising and promotional activities.

Research and development . Our research and development expenses consist primarily of salaries and related benefits for our product development personnel and an allocation of our facilities and depreciation expenses. Research and development expenses increased by 24.0%, from $3.4 million for the three months ended June 30, 2000 to $4.2 million for the three months ended June 30, 2001. Research and development expenses increased by 61.0% from $8.4 million for the nine months ended June 30, 2000 to $13.5 million for the nine months ended June 30, 2001. These increases were due primarily to an increase in product development personnel from 101 to 123, from June 30, 2000 to June 30, 2001. Our future success is dependent in a large part on the continued enhancement of our current products and our ability to develop new, technologically advanced products that meet the sophisticated needs of our customers. We expect research and development expenses to increase in future periods.

General and administrative . Our general and administrative expenses consist primarily of salaries, benefits and related costs of our executive, finance, information technology, human resource and legal personnel, third-party professional service fees, and an allocation of our facilities and depreciation expenses. General and administrative expenses increased by 41.2% from $2.2 million for the three months ended June 30, 2000 to $3.1 million for the three months ended June 30, 2001. General and administrative expenses increased by 119.6% from $5.4 million for the nine months ended June 30, 2000 to $12.0 million for the nine months ended June 30, 2001. These increases were due primarily to an increase in general and administrative personnel from 54 to 69 from June 30, 2000 to June 30, 2001.

Restructuring charge. During the first fiscal quarter of 2001, we recorded a restructuring charge of $1.1 million in connection with management's decision to bring operating expenses in line with the business revenue growth model. As a result of change in the business revenue growth model, the Company terminated 96 employees throughout all divisions of the Company. In January 2001, all identified employees had been terminated. During the quarter ended March 31, 2001, we reversed $96,000 of the original accrual due to a revision of previous estimates. As of March 31, 2001, substantially all of the restructuring charge accrued during the first fiscal quarter of 2001, had been paid.

Stock compensation . We recorded stock compensation charges of $245,000 for the three months ended June 30, 2001 and $434,000 for the three months ended June 30, 2000. For the nine months ended June 30, 2001 and 2000, stock compensation was $2.4 million and $1.4 million, respectively.

Other income, net. Other income consists primarily of earnings on our cash and cash equivalent balances. Other income, net was $855,000 for the three months ended June 30, 2000 and $562,000 for the three months ended June 30, 2001. The decrease in other income is due to a

decline in our cash and cash equivalent balances which were used for the investment in the building of our corporate facilities and our global business. For the nine months ended June 30, 2000 and 2001, other income, net, was $2.4 million and $1.4 million, respectively.

Income taxes . At June 30, 2001 the Company had net operating loss carryforwards of approximately $10.4 million, which begin to expire in 2011. During the quarter ended June 30, 2001, the Company changed its effective annual income tax rate from an income tax benefit of 21% to an income tax benefit of 17% based upon a review of the Company's forecasts and expected permanent and temporary differences for fiscal year 2000. This change in the effective annual income tax rate resulted in income tax expense of approximately $0.6 million for three months ended June 30, 2001.

Liquidity and Capital Resources

Cash and cash equivalents, short-term investments, and restricted cash increased from $53.0 million at September 30, 2000 to $68.6 million at June 30, 2001, an increase of $15.6 million. This increase is primarily due to the sale on June 26, 2001 of approximately 2.5 million shares of common stock to Nokia Finance International for net proceeds of $34.9 million. Inventory management remains an area of focus as we balance the need to maintain strategic inventory levels to ensure competitive lead times. Any such increases in inventory can be expected to reduce cash and cash equivalents, and short-term investments. In the future we may also require a larger inventory of

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products in order to provide better availability to customers and achieve purchasing efficiencies. Any such increase can be expected to reduce cash, cash equivalents and short-term investments.

Cash used in investing activities was $8.2 million for the nine months ended June 30, 2001, and $10.9 million for the nine months ended June 30, 2000. The decrease in investing activities was primarily the result of capital expenditures associated with the completion of the new corporate facilities incurred in fiscal year 2000.

As of June 30, 2001, our principal commitments consisted of obligations outstanding under operating leases. In April 2000, we entered into a lease agreement on two buildings for a new corporate headquarters. The lease commenced in July 2000 on the first building; and the lease on the second building commenced in October 2000. The lease for both buildings expires in 2012 with an option for renewal. We established a restricted escrow account in connection with this lease agreement. Under the term of the lease, a $6 million irrevocable standby letter of credit is required through November 2012, unless the lease is terminated before then. This amount has been included on our balance sheet as of June 30, 2001 as a component of restricted cash. In April 2001, we signed an agreement to sublease the second building. The sublease will substantially cover our monthly costs as the primary tenant.

We expect that our existing cash balances and cash from operations will be sufficient to meet our anticipated working capital and capital expenditures for the foreseeable future.

Item 3. *Quantitative and Qualitative Disclosure About Market Risk.*

Interest Rate Risk. We currently do not hold derivative financial instruments or equity securities in our investment portfolio. The Board of Directors has authorized the Company to trade in publicly traded company options. Our cash equivalents consist of high-quality securities, as specified in our investment policy guidelines. The policy limits the amount of credit exposure to any one issue or issuer to a maximum of 20% of the total portfolio with the exception of treasury securities, commercial paper and money market funds, which are exempt from size limitation. The policy limits all short-term investments to mature in two years or less, with the average maturity being one year or less. These securities are subject to interest rate risk and will decrease in value if interest rates increase.

	Maturing in				
June 30, 2001:	Three months or less	Three months to one year	Greater than one year	Total	Fair value
		(in thousands)			
Included in cash and cash equivalents	$36,973	—	—	$36,973	$36,973
Weighted average interest rate	4.131%	—	—	—	—
Included in short-term investments	—	$23,705	—	$23,705	$23,705
Weighted average interest rates	—	4.726%	—	—	—

Foreign Currency Risk. The majority of our sales and expenses are denominated in U.S. dollars and as a result, we have not experienced significant foreign exchange gains and losses to date. While we have conducted some transactions in foreign currencies during the fiscal year ended September 30, 2000 and the nine months ended June 30, 2001 and expect to continue to do so, we do not anticipate that foreign

exchange gains and losses will be significant. We have not engaged in foreign currency hedging to date, however we may do so in the future.

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Item 4. ***Submission of Matters to a Vote of Security Holders***

The Company held its Annual Meeting of Shareholders on April 20, 2001 to elect two class II directors and amend the Company's 1998 Equity Incentive Plan to increase the number of shares issuable by an additional 2,000,000 shares.

The following nominees were elected as follows:

	Votes	
	For	Against
John McAdam	18,037,258	177,821
Alan J. Higginson	18,036,658	178,421

The shareholders voted in favor of amending the Company's 1998 Equity Incentive Plan to increase the number of shares issuable by an additional 2,000,000 shares, with voting as follows: 6,595,764 for, 1,242,679 against, and 45,134 abstain.

Item 5. ***Other Information***

In connection with the sale of Common Stock and Warrants to Nokia Finance International BV, the Company appointed Kenny Frerichs, as Nokia's nominee, to the Company's Board of Directors to serve as a Class III director.

Item 6. ***Exhibits and Reports on Form 8-K***

(a) Exhibits:

2.1	Second Amended and Restated Articles of Incorporation (1)
2.2	Amended and Restated Bylaws (1)
4.1	Common Stock Purchase Warrant issued to Nokia Finance International B.V.
10.1	Common Stock and Warrant Purchase Agreement dated June 26, 2001 between the Company and Nokia Finance International B.V.
10.2	Investor's Rights Agreement dated June 26, 2001 between the Company and Nokia Finance International B.V.
10.3	Sublease Agreement dated March 30, 2001 between the Company and Cell Therapeutics, Inc.

(1) Incorporated by reference to the Company's Registration Statement on Form S-1, File No. 333-75817

(b) Reports on Form 8-K:

On June 29, 2001 , the Company filed a Form 8-K announcing a Common Stock and Warrant Purchase Agreement, an OEM Software License Agreement and a Technology Development Agreement, with Nokia Finance International B.V. (NFI).

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 13th day of August, 2001.

F5 Networks, Inc.

(Registrant)

By: /s/ Steven Coburn

Steven Coburn
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial and Accounting Officer

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit
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10.3	Sublease Agreement dated March 30, 2001 between the Company and Cell Therapeutics, Inc.

(1) Incorporated by reference to the Company's Registration Statement on Form S-1, File No. 333-75817

EXHIBIT 4.1

THIS WARRANT AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER THE ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED, OR UNLESS SOLD PURSUANT TO AN EXEMPTION TO THE ACT.

COMMON STOCK PURCHASE WARRANT

F5 NETWORKS, INC.

THIS CERTIFIES that, for value received, NOKIA FINANCE INTERNATIONAL BV, a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid), incorporated under the laws of The Netherlands, or its permitted assigns (collectively, the "Holder"), is entitled, upon the terms and subject to the conditions hereinafter set forth, at any time or from time to time during the exercise periods set forth in Section 2 hereof, to acquire from F5 NETWORKS, INC., a Washington corporation (the "Company"), that number of fully paid nonassessable shares of common stock, without par value, of the Company (the "Common Stock") set forth in Section 2 against payment of the exercise price per share set forth in Section 2. The shares of Common Stock issued pursuant to this Warrant are collectively referred to as the "Warrant Stock".

1. EXERCISE OF WARRANT. The purchase rights represented by this Warrant are exercisable by the registered Holder hereof during each of the Exercise Periods set forth in Section 2 below for any number of shares of Warrant Stock up to the maximum number set forth opposite the relevant Exercise Period in Section 2 below by the presentation of this Warrant and the notice of exercise attached hereto (the "Notice of Exercise") for such Exercise Period duly executed to the principal corporate offices of the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder hereof at the address of such Holder appearing on the books of the Company), and upon payment (by wire transfer or other immediately available funds) of the exercise price per share set forth in Section 2 (the "Exercise Price") subject to adjustment as provided in Section 10 below multiplied by the number of shares specified in the Notice of Exercise; whereupon the Holder of this Warrant shall be entitled to receive from the Company a stock certificate in proper form representing the number of shares of Warrant Stock so purchased. The Company shall, for any exercise prior to the expiration of Option 3, acknowledge the exercise of this Warrant in part, by countersigning the relevant Notice of Exercise and returning this Warrant to the Holder presenting this Warrant for exercise.

2. EXERCISE PERIODS; MAXIMUM NUMBER OF SHARES; EXERCISE PRICE PER SHARE.

EXERCISE PERIODS		MAXIMUM NUMBER OF SHARES	EXERCISE PRICE PER SHARE
Option 1	10 Business Days immediately following December 31, 2001	that number of shares necessary to increase the Holding Group's aggregate interest in the Company to one share less than 15% of the Company's outstanding Common Stock as measured on the date of exercise	Average Closing Price as of December 31, 2001
Option 2	10 Business Days immediately following June 30, 2002	that number of shares necessary to increase the Holding Group's aggregate interest in the Company to one share less than 20% of the Company's outstanding Common Stock as measured on the date of exercise	Average Closing Price as of June 30, 2002
Option 3	10 Business Days immediately following December 31, 2002	that number of shares necessary to increase the Holding Group's aggregate interest in the Company to one share less than 20% of the Company's outstanding Common Stock as measured on the date of exercise	Average Closing Price as of December 31, 2002

"Holding Group" means the Holder plus (i) any transferee of all or a portion of this Warrant (a "Warrant Transferee") and (ii) any transferee of the any shares of the Company's Common Stock originally acquired by the Holder or a Warrant Transferee pursuant either to this Warrant or the Common Stock and Warrant Purchase Agreement made as of June 26, 2001 between the Company and the Holder (the "Transferred Securities"); provided, however, that any securities of the Company held by a transferee that are not Transferred Securities, shall not be included in calculating the percentage ownership of the Holding Group.

The "Average Closing Price" means as of any date the average of the last reported sales prices of the shares of Common Stock on the Nasdaq National Market (or other exchange in which the shares are then listed) for the ten (10) consecutive trading days ending on the date specified, or if such date is not a trading day, on the previous trading day. "Business Day" means any day other than a Saturday or Sunday or any on which commercial banks in Seattle, Washington or Helsinki, Finland are authorized or obligated by law to close.

3. ISSUANCE OF SHARES; NO FRACTIONAL SHARES OR SCRIP. Certificates for shares purchased hereunder shall be delivered to the Holder hereof by the Company's transfer agent at the Company's expense within a reasonable time after the date on which this Warrant shall have been exercised in accordance with the terms hereof. Each certificate so delivered shall be in such denominations as may be requested by the Holder hereof and shall be registered in the name of such Holder or, subject to applicable laws, other name as shall be requested by such Holder. The Company hereby represents and warrants that all shares of Warrant Stock which may be issued upon the exercise of this Warrant will, upon such exercise, be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issuance thereof. The Company agrees that the shares so issued shall be and be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered for exercise in accordance with the terms hereof. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant.

4. CHARGES, TAXES AND EXPENSES. Issuance of certificates for shares of Warrant Stock upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder of this Warrant or in such name or names as may be directed by the Holder of this Warrant.

5. NO RIGHTS AS SHAREHOLDERS. This Warrant does not entitle the Holder hereof to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof.

6. EXCHANGE AND REGISTRY OF WARRANT. This Warrant is exchangeable, upon the surrender hereof by the registered Holder at the above-mentioned office or agency of the Company, for a new Warrant of like tenor and dated as of such exchange. The Company shall maintain at the above-mentioned office or agency a registry showing the name and address of the registered Holder of this Warrant. This Warrant may be surrendered for exchange, transfer or exercise, in accordance with its terms, at such office or agency of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

7. LOSS, THEFT, DESTRUCTION OR MUTILATION OF WARRANT. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in case of loss, theft or destruction of indemnity or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant, if mutilated, the Company will make and deliver a new Warrant of like tenor and dated as of such cancellation, in lieu of this Warrant.

8. SATURDAYS, SUNDAYS AND HOLIDAYS. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.

9. CHANGE-IN-CONTROL TRANSACTION. If at any time, while this Warrant, or any portion thereof, is outstanding and unexpired, a Change-in-Control Transaction (as defined below) shall be initiated, this Warrant shall become fully-vested and exercisable immediately prior to the Change-in-Control Transaction, and lawful provision shall be made so that the Holder shall thereafter be entitled to receive upon exercise of this Warrant upon payment of the Exercise Price in effect based on the Average Trading Price on the trading day prior to the first public announcement of the Change-in-Control Transaction, up to either (i) that number of shares necessary to increase the Holding Group's interest in the Company to one share less than 20% of the Company's outstanding Common Stock on the date of exercise (after giving effect to any issuance of shares in connection with the Change-in-Control Transaction); or (ii) the equivalent number of shares of stock or other securities or property of the successor corporation resulting from such Change-in-Control Transaction (after giving effect to the exchange ratio or other consideration methodology applied in such Change-in-Control Transaction). A "Change-in-Control Transaction" means (a) any agreement to which the Company is a party calling for the merger or consolidation of the Company or the sale of all or a substantial portion of the assets of the Company; (b) any acquisition by any third party of beneficial ownership of 50% or more of the outstanding Common Stock of the Company; or (c) any public announcement of a tender or exchange offer for 50% or more of the outstanding Common Stock of the Company. The Holder of this Warrant shall have the same rights to notice and information provided to the shareholders of the Company in connection with any Change-in-Control Transaction. In the event this Warrant is not exercised within 10 Business Days after the consummation of the Change-in-Control Transaction, this Warrant shall terminate.

10. SUBDIVISION, COMBINATION, RECLASSIFICATION, ETC. If the Company at any time shall, by subdivision, combination, reclassification of securities or otherwise, change the Warrant Stock into the same or a different number of securities of any class or classes, this Warrant shall thereafter entitle the holder to acquire such number and kind of securities as would have been issuable in respect of the Warrant Stock (or other securities which were subject to the purchase rights under this Warrant immediately prior to such subdivision, combination, reclassification or other change) as the result of such change if this Warrant had been exercised in full for cash immediately prior to such change. The Exercise Price per share of the Warrant Stock shall be adjusted if and to the extent necessary to reflect such change. In the event that, on or after the first trading day included in the calculation of Average Closing Price in respect of any Exercise Period and on or prior to the date of exercise of the Warrant during such Exercise Period, there shall have occurred (i) any dividend or distribution of assets (whether in the form of cash, securities, property or any other assets, or any rights to acquire any of such) other than a normal quarterly cash dividend consistent with past practice, or (ii) any issue or sale to holders of Common Stock generally of any such assets or of shares of capital stock of the Company without consideration or for a consideration less than the fair market value thereof (which in the case of Common Stock will be deemed to be the applicable Average Closing Price), the Exercise Price per share shall be appropriately reduced to reflect the impact of such dividend, distribution, issue or sale. Similarly, in the event that, on or after the first trading day included in the calculation of Average Closing Price in respect of any Exercise Period and on or prior to the date of exercise of the Warrant during such Exercise Period, there shall have occurred reverse stock-split or similar combination of the Common Stock, the Exercise Price per share shall be appropriately increased to reflect the impact of such reverse stock-split or combination. The Company shall give the

holder prompt written notice of any change in the type of securities issuable hereunder, any adjustment of the Exercise Price per share of Warrant Stock to be issued under this Warrant and any increase or decrease in the number of shares issuable hereunder.

11. TRANSFERABILITY; COMPLIANCE WITH SECURITIES ACT

(a) This Warrant and the rights hereunder shall be transferable by the Holder hereof only to a transferee that is a subsidiary of the Investor or the ultimate parent of the Investor or any other subsidiary of such parent.

(b) Each certificate representing the Warrant Stock or other securities issued in respect of the this Warrant upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required under applicable state securities laws):

"These securities have not been registered under the Securities Act of 1933, as amended (the "Act"), or any state securities laws. They may not be sold, offered for sale, pledged, hypothecated or otherwise transferred in the absence of a registration statement in effect with respect to the securities under the Act or an opinion of counsel reasonably satisfactory to the company that such registration is not required, or unless sold pursuant to an exemption to the Act."

12. REPRESENTATIONS, WARRANTIES AND COVENANTS. The Company hereby represents, warrants and covenants to the Holder hereof that:

(a) during the period this Warrant is outstanding, the Company will reserve from its authorized and unissued Common Stock a sufficient number of its duly authorized but unissued shares of Common Stock to provide for the issuance of shares of Common Stock issuable upon exercise of this Warrant in full;

(b) the issuance of this Warrant shall constitute full authority to the Company's officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the shares of Warrant Stock issuable upon exercise of this Warrant;

(c) the Company has all requisite legal and corporate power to execute and deliver this Warrant, to sell and issue the Warrant Stock hereunder and to carry out and perform its obligations under the terms of this Warrant; and

(d) all corporate action on the part of the Company, its directors and shareholders necessary for the authorization, execution, delivery and performance of this Warrant by the Company, the authorization, sale, issuance and delivery of the Warrant Stock and the performance of the Company's obligations hereunder has been taken and shall remain in full force and effect; and

(e) the Warrant Stock, when issued in compliance with the provisions of this Warrant, will be duly and validly authorized, issued, fully paid and nonassessable, and free of all taxes, liens or encumbrances with respect to the issue thereof, and will be issued in compliance with all applicable federal and state securities laws.

13. COOPERATION. The Company will not, by amendment of its Articles or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder of the Warrant against impairment.

14. LOST, STOLEN, MUTILATED OR DESTROYED WARRANT. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on reasonable terms as to indemnity or otherwise (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as, and in substitution for, this Warrant.

15. SUCCESSORS AND ASSIGNS. The terms and provisions of this Warrant shall inure to the benefit of, and be binding upon, the Company and the Holders hereof and their respective successors and assigns.

16. AMENDMENTS AND WAIVERS. Any term of this Warrant may be amended and the observance of any terms of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the Holder.

17. NOTICES. All notices required under this Warrant shall be deemed to have been given or made for all purposes (i) upon personal delivery, (ii) upon confirmation receipt that the communication was successfully sent to the applicable number if sent by facsimile; (iii) one day after being sent, when sent by professional overnight courier service, or (iv) five days after posting when sent by registered or certified mail. Notices to the Company shall be sent to the principal office of the Company (or at such other place as the Company shall notify the Holder hereof in writing). Notices to the Holder shall be sent to the address of the Holder on the books of the Company (or at such other place as the Holder shall notify the Company in writing).

18. CAPTIONS. The section and subsection headings of this Warrant are inserted for convenience only and shall not constitute a part of this Warrant in construing or interpreting any provision hereof.

19. GOVERNING LAW. This Warrant shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its duly authorized officers.

Dated: June 26, 2001 F5 NETWORKS, INC., a Washington corporation,

By /s/ John McAdam

John McAdam, President

NOTICE OF EXERCISE
OPTION 1

To: F5 NETWORKS, INC.

(1) The undersigned hereby elects to purchase (check one and complete):

[ ] _____ shares of common stock of F5 NETWORKS, INC.

[ ] The full number of shares of common stock for which this Warrant is exercisable under Option 1 on the date hereof,

in either case pursuant to the terms of the attached Warrant, and the undersigned tenders herewith payment of the purchase price in full, together with all applicable transfer taxes, if any.

(2) The purchase price per share of common stock, calculated as provided in Section 2 of the attached Warrant is $_____.

(3) Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

_____

(Name)

_____

(Address)

(4) The undersigned represents that the aforesaid shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares other than in a transaction that is registered under the Securities Act of 1933 or is exempt from, or is not subject to, such registration.

January __, 2002

_____

(Date) (Signature)

NOTICE OF EXERCISE
OPTION 2

To: F5 NETWORKS, INC.

(1) The undersigned hereby elects to purchase (check one and complete):

[ ] _____ shares of common stock of F5 NETWORKS, INC.

[ ] The full number of shares of common stock for which this Warrant is exercisable under Option 2 on the date hereof,

in either case pursuant to the terms of the attached Warrant, and the undersigned tenders herewith payment of the purchase price in full, together with all applicable transfer taxes, if any.

(2) The purchase price per share of common stock, calculated as provided in Section 2 of the attached Warrant is $_____.

(3) Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

(Name)

(Address)

(4) The undersigned represents that the aforesaid shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares other than in a transaction that is registered under the Securities Act of 1933 or is exempt from, or is not subject to, such registration.

July __, 2002

(Date) (Signature)

NOTICE OF EXERCISE
OPTION 3

To: F5 NETWORKS, INC.

(1) The undersigned hereby elects to purchase (check one and complete):

[ ] _____ shares of common stock of F5 NETWORKS, INC.

[ ] The full number of shares of common stock for which this Warrant is exercisable under Option 2 on the date hereof,

in either case pursuant to the terms of the attached Warrant, and the undersigned tenders herewith payment of the purchase price in full, together with all applicable transfer taxes, if any.

(2) The purchase price per share of common stock, calculated as provided in Section 2 of the attached Warrant is $_____.

(3) Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name as is specified below:

(Name)

(Address)

(4) The undersigned represents that the aforesaid shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares other than in a transaction that is registered under the Securities Act of 1933 or is exempt from, or is not subject to, such registration.

January __, 2003

(Date) (Signature)

EXHIBIT 10.1

F5 NETWORKS, INC.
COMMON STOCK AND WARRANT PURCHASE AGREEMENT

This Common Stock and Warrant Purchase Agreement (the "Agreement") is made as of June 26, 2001, by and between F5 NETWORKS, INC., a Washington corporation (the "Company"), and NOKIA FINANCE INTERNATIONAL BV, a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid organized under the laws of the Netherlands (the "Investor"), and a subsidiary of Nokia Corporation, a Finnish corporation.

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. PURCHASE AND SALE OF STOCK AND WARRANT.

1.1 SALE AND ISSUANCE OF COMMON STOCK AND WARRANT. Subject to the terms and conditions of this Agreement, the Investor agrees to purchase at the Closing and the Company agrees to sell and issue to the Investor at the Closing, (i) a Common Stock purchase warrant in the form attached hereto as Exhibit B (the "Warrant") and (ii) 2,466,421 shares of common stock, without par value, of the Company (the "Common Stock") being that number of shares equal to ten percent of the Company's outstanding Common Stock, as measured on the close of business on June 25, 2001, less one share, for the per share purchase price equal to $ 14.871 per share, being the average of the last reported sales price of the Common Stock on the Nasdaq National Market for the ten (10) consecutive trading days ending on and including June 26, 2001.

1.2 CLOSING. The purchase and sale of the Common Stock and Warrant shall take place at the offices of the Company, on or before 10:00 A.M. Pacific time, on June 28, 2001, or at such other time and place as the Company and the Investor mutually agree upon in writing (which time and place are designated as the "Closing"). At the Closing, the Company shall deliver to the Investor: (i) a certificate representing the Common Stock that the Investor is purchasing against payment of the purchase price therefor by wire transfer; (ii) the Warrant and (iii) the other documents referred to in Section 4 of this Agreement.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Investor that, except as set forth on a Schedule of Exceptions (the "Schedule of Exceptions") furnished to the Investor on or prior to entering into this Agreement, which exceptions shall qualify the representation and warranty that has the corresponding number as the numbered paragraph in the Schedule of Exceptions, and shall be deemed to be representations and warranties as if made hereunder, as of the date hereof and as of the date of Closing:

2.1 ORGANIZATION AND QUALIFICATION. The Company is a corporation duly organized and validly existing under the laws of the State of Washington and is qualified to do business in every jurisdiction in which it is required to be qualified, except where the failure to so qualify has not had and would not reasonably be expected to have a

material adverse effect on the current or prospective business, financial condition or results of operations of the Company and its subsidiaries taken as a whole or prejudice the Company's ability to enter into or perform its obligations under any of the Transaction Documents (as defined below) (a "Material Adverse Effect"). The Company possesses all requisite corporate power and authority and all licenses, permits and authorizations necessary to own and operate its properties and to carry on its business as now conducted and as proposed to be conducted, subject to such exceptions as would not have a Material Adverse Effect. The Company has delivered to Investor correct and complete copies of the Company's articles of incorporation and bylaws reflecting all amendments made thereto at any time prior to the date of this Agreement.

2.2 CAPITALIZATION; VOTING RIGHTS; PREEMPTIVE RIGHTS; SUBSIDIARIES.

(a) The authorized capital of the Company consists of: 100,000,000 shares of Common Stock of which 22,197,803 shares are issued and outstanding as of the date hereof, and 10,000,000 shares of Preferred Stock, without par value (the "Preferred Stock"), none of which has been designated or is outstanding as of the date hereof. Such issued and outstanding shares of Common Stock have been duly authorized and are validly issued, fully-paid and nonassessable.

(b) Except for (A) the rights provided in the Transaction Agreements (as defined in Section 2.3 below) and (B) currently outstanding options to purchase 7,099,278 shares of Common Stock granted to employees and other service providers pursuant to the Company's 1996, 1998, 2000 and Non-Employee Directors Stock Option Plans, there are not outstanding any stock or securities convertible or exchangeable for any shares of capital stock of the Company or any of its subsidiaries, nor does the Company or any of its subsidiaries have outstanding any rights, options or warrants to subscribe for or to purchase its capital stock or any stock or securities convertible into or exchangeable for its capital stock or any stock appreciation rights or phantom stock plans, nor has it reserved any shares of capital stock for issuance upon exercise or conversion of any rights, options or warrants to subscribe for or to purchase its capital stock or any stock or securities convertible into or exchangeable for its capital stock. Neither the Company nor any of its subsidiaries is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock or any warrants, options or other rights to acquire its capital stock. Neither the Company nor any of its subsidiaries is a party or subject to any agreement or understanding, and, to the best of the Company's knowledge, there is no agreement or understanding between any persons and/or entities, which affects or relates to the voting or giving of written consents with respect to any security or by a director of the Company.

(c) Except for the rights provided in the Transaction Agreements, there are no statutory shareholders preemptive rights or similar contractual rights to which the Company is subject or rights of refusal to which the Company is subject with respect to the issuance of capital stock of the Company.

(d) Each of the Company's subsidiaries is wholly owned by the Company and is duly organized, validly existing and in good standing under the laws of the state of its incorporation, possesses all requisite corporate power and authority and, except for such exceptions as would not have a Material Adverse Effect, has all licenses, permits and authorizations necessary to own its properties and to carry on its businesses as now being conducted and is qualified to do business in each jurisdiction in which it is required to be qualified, except where the failure to so qualify would not have a Material Adverse Effect. All of the outstanding shares of capital stock of each subsidiary are duly authorized, validly issued, fully paid and nonassessable, and all such shares are owned by the Company free and clear any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof).

2.3 AUTHORIZATION; NO CONFLICTS.

(a) All corporate action on the part of the Company, and its officers, directors and shareholders that is necessary for the authorization, execution and delivery of this Agreement, the Investor's Rights Agreement in the form attached hereto as Exhibit A (the "Investor's Rights Agreement"), the Warrant, the OEM Agreement in the form attached hereto as Exhibit C (the "OEM Agreement"), and the Technology Development Agreement in the form attached hereto as Exhibit D (the "Technology Agreement") (this Agreement, the Investor's Rights Agreement, the Warrant, the OEM Agreement and the Technology Agreement are collectively referred to as the "Transaction Agreements"), the performance of all obligations of the Company hereunder and thereunder, and the authorization, issuance (or reservation for issuance), sale and delivery of the Common Stock being sold hereunder and the Common Stock issuable upon exercise of the Warrant has been taken or will be taken prior to the Closing, and the Transaction Agreements constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, and (iii) to the extent the indemnification provisions contained in the Investor's Rights Agreement may be limited by applicable federal or state securities laws.

(b) The execution, delivery and performance of this Agreement or any other Transaction Documents do not, and the consummation of the transactions contemplated hereby and thereby will not, constitute or result in a breach or violation of, or a default under (A) the Articles of Incorporation or Bylaws of the Company, (B) any agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation ("Contracts") binding upon the Company or any federal, state, local or foreign law, statute, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, license or permit (collectively, "Laws") of any governmental or regulatory authority, agency, commission, body or other governmental entity ("Governmental Entity") to which the Company is subject, except in the case of

Contracts, for those breaches, violations or defaults that would not, individually or in the aggregate, have a Material Adverse Effect.

2.4 VALID ISSUANCE OF COMMON STOCK. The Common Stock that is being purchased by the Investor hereunder, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly authorized, validly issued, fully paid and nonassessable, and will be free of restrictions on transfer other than restrictions on transfer under the Transaction Agreements and under applicable state and federal securities laws. The shares of Common Stock issuable upon exercise of the Warrant have been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Company's Articles of Incorporation, will be duly authorized, validly issued, fully paid and nonassessable and will be free of restrictions on transfer other than restrictions on transfer under the Transaction Agreements and under applicable state and federal securities laws.

2.5 COMPANY REPORTS; FINANCIAL STATEMENTS. The Company has delivered or made available to the Investor (i) each registration statement, report, proxy statement or information statement filed with the Securities and Exchange Commission (the "SEC") since September 30, 2000, including the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000, the Company's Quarterly Reports on Form 10-Q for the quarters ended December 31, 2000 and March 31, 2001 and the Company's proxy statement dated March 7, 2001 with respect to its annual meeting in each case in the form (including exhibits, annexes and any amendments thereto) filed with the SEC (collectively, the "Company Reports"). As of their respective dates, the Company Reports complied in all material respects with the requirements of the Securities Act of 1933, as amended (the "Securities Act") and the Securities Exchange Act of 1934, as amended and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading. Each of the balance sheets included in or incorporated by reference into the Company Reports (including the related notes and schedules) fairly presents in all material respects the financial position of the Company as of its date and each of the statements of operations, stockholders equity and cash flows included in or incorporated by reference into the Company Reports (including any related notes and schedules) fairly presents in all material respects the results of operations, net losses and cash flows, as the case may be, of the Company for the periods set forth therein (subject, in the case of unaudited statements, to the absence of notes and normal year-end audit adjustments), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein (the date of the most recently filed balance sheet of the Company is hereinafter referred to as the "Balance Sheet Date").

2.6 NO MATERIAL ADVERSE CHANGE. Since the Balance Sheet Date, there has been no material adverse change in the financial condition, operating results, assets, operations, employee relations or customer or supplier relations of the Company and its subsidiaries, taken as a whole.

2.7 GOVERNMENTAL FILINGS; NO VIOLATIONS. No notices, reports or other filings are required to be made by the Company with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Company from any Governmental Entity, in connection with the execution and delivery of this Agreement or any other Transaction Documents by the Company and the consummation of the transactions contemplated hereby and thereby, except for those that the failure to make or obtain would not have a Material Adverse Effect.

2.8 COMPLIANCE WITH OTHER INSTRUMENTS. The Company is not in violation or default in any material respect of any provision of its Articles of Incorporation or Bylaws, each as currently in effect, or in any material respect of any instrument, judgment, order, writ, decree or Contract to which it is a party or by which it is bound, or, to the best of its knowledge, of any provision of any Law applicable to the Company.

2.9 INTELLECTUAL PROPERTY RIGHTS. Except as disclosed in the Company Reports, each of the Company and its subsidiaries (i) owns or possesses adequate licenses or other rights to use all patents, trademarks, service marks, trade names, copyrights, technology, software, know-how and trade secrets (collectively, "Intellectual Property") necessary (a) to conduct the business now conducted by the Company and its subsidiaries and (b) to commercially exploit their respective products, technology and other assets; and (ii) either owns or possesses, or can acquire on commercially reasonable terms, adequate licenses or other rights to use all Intellectual Property necessary (a) to conduct the business proposed to be conducted by the Company and its subsidiaries and (b) to commercially exploit their respective products, technology and other assets in connection with such proposed business. Except as disclosed in the Company Reports, neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with and knows of no such infringement of or conflict with, asserted rights of others with respect to any Intellectual Property; and, to the Company's knowledge, the discoveries, inventions, products, services or processes used in the business of the Company and its subsidiaries do not infringe or conflict with any right or patent of any third party, or any discovery, invention, product or process which is the subject of a patent application filed by any third party. To the Company's knowledge, neither the Company nor any of its subsidiaries incorporates open source software in any of its products

2.10 LITIGATION, ETC. Except as set forth in the Company Reports, there are no actions, suits, proceedings, orders, investigations or claims pending (other than any such actions, suits, proceedings, orders, investigations and claims which may be pending but of which none of the Company, any of its subsidiaries and their respective representatives have received notice) or, to the Company's knowledge, threatened against the Company or any of its subsidiaries (or to the Company's knowledge, pending or threatened against any of the officers or directors of the Company or any of its subsidiaries) at law or in equity, or before or by any Governmental Entity which if determined adversely to the Company would have a Material Adverse Effect. Neither the Company nor any of its subsidiaries is subject to any judgment, order or decree of any court or other Governmental Entity that requires or prohibits any conduct on the part of the Company or

any of its subsidiaries that affects the business of the Company in a manner that would have a Material Adverse Effect.

2.11 BROKERAGE. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by the Transaction Agreements for which the Investor will have any liability or responsibility based on any arrangement or agreement binding upon the Company or any of its subsidiaries.

2.12 DISCLOSURE. To the best of the Company's knowledge, neither this Agreement nor the Investor's Rights Agreement or the Warrant contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.

2.13 REGISTRATION RIGHTS. Except as provided in the Investor's Rights Agreement, the Company has not granted or agreed to grant any registration rights, including piggyback rights, to any person.

2.14 USE OF PROCEEDS. The Company shall use the proceeds from this offering for general corporate purposes.

3. REPRESENTATIONS AND WARRANTIES OF THE INVESTOR. The Investor hereby represents and warrants that:

3.1 AUTHORIZATION. The Investor has full power and authority to enter into the Transaction Agreements, and each such agreement constitutes its valid and legally binding obligation, enforceable in accordance with its terms except
(i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies, and (iii) to the extent the indemnification provisions contained in the Investor's Rights Agreement may be limited by applicable federal or state securities laws.

3.2 PURCHASE ENTIRELY FOR OWN ACCOUNT. This Agreement is made with the Investor in reliance upon the Investor's representation to the Company, which by the Investor's execution of this Agreement the Investor hereby confirms, that the Common Stock and Warrant to be received by the Investor (collectively, the "Securities") will be acquired for investment for the Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same other than in a transaction registered under the Securities Act or exempt from, or not subject to, such registration. By executing this Agreement, the Investor further represents that the Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities.

3.3 DISCLOSURE OF INFORMATION. The Investor has been afforded access to such information as it has requested regarding the Company and its subsidiaries and their respective financial condition, operating results, properties, liabilities, operations and management .

3.4 RESTRICTED SECURITIES. The Investor understands that the Securities it is purchasing are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act, only in certain limited circumstances. In this connection, the Investor represents that it is familiar with Rule 144 under the Securities Act, as presently in effect ("Rule 144"), and understands the resale limitations imposed thereby and by the Securities Act.

3.5 FURTHER LIMITATIONS ON DISPOSITION. Without in any way limiting the representations set forth above, the Investor further agrees not to make any disposition of all or any portion of the Securities unless and until the transferee has agreed in writing for the benefit of the Company to be bound by this Section 3 and the Investor's Rights Agreement provided and to the extent this Section and such agreement are then applicable, and:

(a) There is then in effect a Registration Statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such Registration Statement; or

(b) The Investor shall have notified the Company of the proposed disposition, and, if reasonably requested by the Company, the Investor shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such shares under the Securities Act. It is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144.

3.6 LEGENDS. It is understood that the certificates evidencing the Securities may bear one or all of the following legend(s):

"These securities have not been registered under the Securities Act of 1933, as amended. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to the Company that such registration is not required or unless sold pursuant to Rule 144 of such Act."

3.7 REPRESENTATIONS AS A FOREIGN INVESTOR. The Investor has satisfied itself as to the full observance of the laws of its jurisdiction of organization in connection with any invitation to subscribe for the Securities or to enter into this Agreement, including (i) the legal requirements within such jurisdiction for the purchase of the Securities, (ii) any foreign exchange restrictions of such jurisdiction applicable to such purchase, (iii) any

governmental or other consents that may need to be obtained in such jurisdiction, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Securities in such jurisdiction. The Investor's subscription and payment for, and its continued beneficial ownership of the Securities, will not violate any applicable securities or other laws of its jurisdiction.

4. CONDITIONS OF THE INVESTOR TO EFFECT THE CLOSING. The obligations of the Investor to effect the Closing are subject to the fulfillment on or before the Closing of each of the following conditions:

4.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company contained in Section 2 shall be true and correct as of the date hereof and as of the date of the Closing with the same effect as though such representations and warranties had been made on and as of the date of such Closing.

4.2 PERFORMANCE. The Company shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

4.3 COMPLIANCE CERTIFICATE. The President of the Company shall have delivered to the Investor at the Closing a certificate stating that the conditions specified in Sections 4.1 and 4.2 have been fulfilled and stating that there shall have been no adverse change in the business, affairs, operations, properties, assets, prospects or condition of the Company and its subsidiaries taken as a whole since the date of this Agreement. In addition, the Compliance Certificate shall state the number of shares of the outstanding Common Stock of the Company immediately prior to the Closing.

4.4 QUALIFICATIONS. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Securities pursuant to this Agreement shall have been duly obtained and effective as of the Closing.

4.5 PROCEEDINGS AND DOCUMENTS. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investor's counsel, and they shall have received all such counterpart original and certified or other copies of such documents as they may reasonably request.

4.6 BOARD OF DIRECTORS. The directors of the Company shall be Karl D. Guelich, Keith D. Grinstein, Alan J. Higginson, John McAdam, and Jeffrey S. Hussey, and there shall be one vacant Class III director's position on the Board of Directors, which shall be filled with the nominee of the Investor immediately upon Closing, which nominee shall be reasonably acceptable to the Board of Directors of the Company. The initial nominee of the Investor shall be Ken Frerichs, which nominee is acceptable to the Board of Directors of the Company.

4.7 INVESTOR'S RIGHTS AGREEMENT. The Company shall have executed the Investor's Rights Agreement.

4.8 WARRANT. The Company shall have executed the Warrant.

4.9 OEM AGREEMENT. The Company shall have executed the OEM Agreement.

4.10 TECHNOLOGY AGREEMENT. The Company shall have executed the Technology Development Agreement.

4.11 OPINION OF COMPANY COUNSEL. The Investor shall have received from Graham & Dunn PC, counsel for the Company, an opinion, dated as of the Closing, substantially in the form attached hereto as Exhibit E. ---------

5. CONDITIONS OF THE COMPANY TO EFFECT THE CLOSING. The obligations of the Company to effect the Closing are subject to the fulfillment on or before the Closing of each of the following conditions:

5.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Investor contained in Section 3 shall be true and correct as of the date hereof and as of the date of Closing with the same effect as though such representations and warranties had been made on and as of the Closing.

5.2 PAYMENT OF PURCHASE PRICE. The Investor shall have delivered the purchase price specified in Section 1.2.

5.3 QUALIFICATIONS. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Securities pursuant to this Agreement shall be duly obtained and effective as of the Closing.

5.4 OEM AGREEMENT. The Investor shall have executed the OEM Agreement.

5.5 TECHNOLOGY AGREEMENT. The Investor shall have executed the Technology Development Agreement.

5.6 OPINION OF INVESTOR'S COUNSEL. The Company shall have received from Sullivan & Cromwell, counsel for the Investor, an opinion, dated as of the Closing, substantially in the form attached hereto as Exhibit F.

6. MISCELLANEOUS.

6.1 SURVIVAL OF REPRESENTATIONS, WARRANTIES AND OTHER AGREEMENTS. The representations, warranties and other agreements of each of the Company and the Investor, respectively, included or provided for in the Transaction Agreements shall

survive the execution and delivery of this Agreement, the other Transaction Agreements and the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Company or the Investor.

6.2 SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

6.3 GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of New York as applied to agreements among New York residents entered into and to be performed entirely within New York.

6.4 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.5 TITLES AND SUBTITLES. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

6.6 NOTICES. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or upon deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten (10) days' advance written notice to the other parties.

6.7 EXPENSES. Irrespective of whether the Closing is effected, each party shall pay all of the costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of the Transaction Agreements.

6.8 AMENDMENTS AND WAIVERS. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Investor. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding (including securities into which such securities are convertible), each future holder of all such securities, and the Company.

6.9 SEVERABILITY. If one or more provisions of this Agreement are held to be unenforceable under applicable Law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

6.10 PUBLICITY. No party hereto shall issue any press release or otherwise make any statements to any third party with respect to this Agreement or the transactions contemplated hereby until the issuance by the parties of a joint press release announcing this Agreement and the transactions contemplated hereby.

6.11 ENTIRE AGREEMENT. This Agreement and the documents referred to herein constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein.

IN WITNESS WHEREOF, the parties have executed this Common Stock and Warrant Purchase Agreement as of the date first above written.

COMPANY F5 NETWORKS, INC.

BY: /s/ John McAdam
---------- John McAdam, President

Address: 401 Elliott Avenue West Seattle, Washington 98119
INVESTOR NOKIA FINANCE INTERNATIONAL BV

BY: /s/ Mika Vehvilainen
---------- Mika Vehvilainen, Attorney-in-fact

Address: Strawinskylaan 3111, 1077 ZX Amsterdam, The Netherlands

With copies to Nokia Corporation P.O. Box 226
FIN-00045

NOKIA GROUP
Keilalahdentie 4
FIN-02150
Espoo, Finland
Attn: Ursula Ranin, Vice President,
General Counsel

and

Nokia Internet Communications
313 Fairchild Drive
Mountain View, California 94043 USA
Attn: John Robinson, Senior Vice
President and General Manager

Nokia Inc.
6000 Connection Drive

Irving, Texas 75039 USA Attn: Richard W. Stimson, Vice President, Legal Services

EXHIBIT A
FORM OF INVESTOR'S RIGHTS AGREEMENT

EXHIBIT B
FORM OF WARRANT

EXHIBIT C
FORM OF OEM AGREEMENT

EXHIBIT D

FORM OF TECHNOLOGY DEVELOPMENT AGREEMENT

EXHIBIT E
FORM OF COMPANY COUNSEL OPINION

EXHIBIT F
FORM OF INVESTOR'S COUNSEL OPINION

EXHIBIT 10.2

INVESTOR'S RIGHTS AGREEMENT

THIS INVESTOR'S RIGHTS AGREEMENT is made as of June 26, 2001, by and among F5 NETWORKS, INC., a Washington corporation (the "Company"), and of NOKIA FINANCE INTERNATIONAL BV a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid), incorporated under the laws of The Netherlands (the "Investor"), and a subsidiary of Nokia Corporation, a Finnish corporation.

RECITALS

WHEREAS, the Company and the Investor are parties to the Common Stock and Warrant Purchase Agreement of dated June 26, 2001 (the "Purchase Agreement");

WHEREAS, in order to induce the Company to approve the issuance of the Company's common stock, without par value (the "Common Stock"), and to induce the Investor to invest funds in the Company pursuant to the Purchase Agreement, the Investor and the Company hereby agree that this Agreement shall govern the rights of the Investor to cause the Company to register shares of Common Stock issued or issuable to the Investor under the Purchase Agreement and certain other matters as set forth herein;

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. REGISTRATION RIGHTS. The Company covenants and agrees as follows:

1.1 DEFINITIONS. For purposes of this Agreement:

(a) The term "Securities Act" means the Securities Act of 1933, as amended.

(b) The term "Change-in-Control Transaction" means (a) any agreement to which the Company is a party calling for the merger or consolidation of the Company or the sale of all or a substantial portion of the assets of the Company; (b) any acquisition by any third party of beneficial ownership of 50% or more of the outstanding Common Stock of the Company; or (c) any public announcement of a tender or exchange offer for 50% or more of the outstanding Common Stock of the Company.

(c) The term "Form S-3" means such form under the Securities Act as in effect on the date hereof, any successor registration form or any other registration form under the Securities Act subsequently adopted by the SEC that permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

(d) The term "Holder" means the Investor and any other person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.11 hereof;

(e) The term "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(f) The term "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

(g) The term "Registrable Securities" means (i) the Common Stock originally issued under the Purchase Agreement, (ii) the Common Stock issued upon exercise of the Warrant (as defined in the Purchase Agreement) and (iii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security that is issued as) a dividend or other distribution with respect to, or in exchange for, or in replacement of, the shares referenced in (i) and (ii) above, excluding in all cases, however, any Registrable Securities sold by the Investor in a transaction in which its rights under this Section 1 are not assigned; and the number of shares of "Registrable Securities" outstanding at any time, shall be determined by the number of shares of Common Stock outstanding that are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities that are, Registrable Securities.

(h) The term "Rule 144" shall mean Rule 144 promulgated under the Securities Act.

(i) The term "SEC" shall mean the Securities and Exchange Commission.

(j) The term "Selling Expenses" shall mean underwriting discounts and commission and fees of disbursements of counsel for the selling Holder or Holders.

1.2 DEMAND REGISTRATION.

(a) Subject to the conditions of this Section 1.2, if the Company shall receive a written request from either the Investor or Holders of a majority of the Registrable Securities then outstanding (in either case, the "Initiating Holders") that the Company file a registration statement under the Securities Act covering the registration of Registrable Securities then outstanding such that the anticipated aggregate offering price, net of underwriting discounts and commissions, would exceed $5,000,000 (a "Qualified Public Offering"), then the Company shall, within ten (10) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 1.2, use its best efforts to effect, as soon as practicable, the registration under the Securities Act of all Registrable Securities that the Holders request to be registered; provided that the Company shall file the registration statement no later than thirty (30) days following receipt of such notice. Such registration statement may be filed on any appropriate registration form for which the Company is then eligible (including Form S-3) that contemplated an offering of the type proposed by the Initiating Holders in the request made pursuant to the Section 1.2.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 or any request pursuant to Section 1.4 and the Company shall include such information in the written notice referred to in Section 1.2(a) or Section 1.4(a), as applicable. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such

underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. The Company and all Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders (which underwriter or underwriters shall be reasonably acceptable to the Company). Notwithstanding any other provision of this Section 1.2 or Section 1.4, if the underwriter advises the Company that marketing factors require a limitation of the number of shares to be underwritten (including Registrable Securities) then the Company shall so advise all Holders of Registrable Securities which would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated on a pro rata basis based on the total number of Registrable Securities held by all such Holders. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration pursuant to this Section 1.2:

(i) prior to December 31, 2001;

(ii) after the Company has effected three (3) registrations pursuant to this Section 1.2, and such registrations have been declared or ordered effective;

(iii) during the period starting 30 days prior to the date of filing of, and ending on the date ninety (90) days following the effective date of the registration statement pertaining to a public offering of securities by the Company; provided that the Company makes reasonable good faith efforts to cause such registration statement to become effective; or

(iv) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2, a certificate signed by the Chairman of the Board or Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration to be effected at such time (it being acknowledged that the Investor's decision to sell or any direct or perceived impact of that decision on any related business or commercial relationships between the Investor and the Company shall not be deemed seriously detrimental within the meaning of this provision), in which event the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; provided, however, that such right to delay a request shall not be exercised by the Company more than once in any twelve (12) month period.

1.3 PIGGY-BACK REGISTRATION

(a) If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for shareholders other than the Holders) any of its stock or other securities under the Securities Act in connection with the public offering of such securities (other than a registration relating solely to the sale of securities to participants in a Company stock plan or a registration relating to a corporate reorganization or other transaction under Rule 145 of the Securities Act), the Company shall, at such time,

promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after delivery of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 1.3(c), use all reasonable efforts to cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered; provided, however, that the Company shall not be obligated to include any Registrable Securities in any such registration, qualification or compliance, pursuant to this Section 1.3 prior to December 31, 2001.

(b) RIGHT TO TERMINATE REGISTRATION. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 1.3 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 1.7 hereof.

(c) UNDERWRITING REQUIREMENTS. In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under this Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the customary terms of the underwriting as reasonably agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters) and enter into an underwriting agreement in customary form with an underwriter or underwriters selected by the Company, provided that if the underwriters determine in good faith that marketing factors require a limitation on the number of shares to be underwritten, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, that the underwriters determine in good faith will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling Holders and any other selling shareholders having similar rights according to the total amount of securities proposed to be included therein by each selling Holder and any other selling shareholder holding similar rights or in such other proportions as shall mutually be agreed to by such selling Holders), but in no event shall the amount of securities of the selling Holders included in the offering be reduced below twenty-five percent (25%) of the total amount of securities included in such offering. In no event will shares of any other selling shareholder be included in such registration if such inclusion would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than a majority of the Registrable Securities proposed to be sold in the offering. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder which is a partnership or corporation, the partners, retired partners and shareholders of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing person shall be deemed to be a single "Holder", and any pro rata reduction with respect to such "Holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Holder", as defined in this sentence.

1.4 FORM S-3 REGISTRATION. In case the Company shall receive from the Holders of Registrable Securities a written request or requests that the Company effect a registration on

Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company shall:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) effect, as soon as practicable, such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4:

(i) prior to December 31, 2001;

(ii) if Form S-3 is not available for such offering by the Holders;

(iii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than $5,000,000;

(iv) if the Company shall furnish to the Holders a certificate signed by the Chief Executive Officer or Chairman of the Board of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration to be effected at such time (it being acknowledged that the Investor's decision to sell or any direct or perceived impact of that decision on any related business or commercial relationships between the Investor and the Company shall not be deemed seriously detrimental within the meaning of this provision), in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 1.4; provided, however, that the Company shall not use this right more than once in any twelve month period; or

(v) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two registrations on Form S-3 for the Holders pursuant to this Section 1.4.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as demands for registration or registrations effected pursuant to Sections 1.2 or 1.3.

1.5 OBLIGATIONS OF THE COMPANY. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the Registration Statement has been completed;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(c) furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) use all reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering;

(f) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) furnish, at the request of a majority of the Holders participating in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the recognized securities counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and if permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

(h) cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed; and

(i) provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

1.6 INFORMATION FROM HOLDER. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

1.7 EXPENSES OF REGISTRATION. All expenses other than Selling Expenses incurred in connection with registrations, filings or qualifications pursuant to Sections 1.2, 1.3 and 1.4, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company shall be borne by the Company. All Selling Expenses incurred in connection with any registration hereunder, shall be borne by the holders of the securities so registered pro rata on the basis of the number of shares so registered. Notwithstanding anything else in this
Section 1.7 to the contrary, in the event a Holder demands registration pursuant to Sections 1.2 or 1.4 after such time at which all Registrable Securities held by such Holder (and any affiliate of the Holder with whom such Holder must aggregate its sales under Rule 144) can in the written opinion of securities counsel for the Company provided to such Holder be sold in any three (3) month period without registration in compliance with Rule 144, all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company incurred in connection with such registration, filing or qualification shall be borne by such Holder; provided that such Holder will not bear accounting fees or fees and disbursements of counsel to the Company that, in the aggregate, exceed $50,000.

1.8 INDEMNIFICATION. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) The Company will indemnify and hold harmless each Holder, the partners or officers, directors and shareholders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or any state securities laws, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities laws or any rule or regulation promulgated under the

Securities Act, the Exchange Act or any state securities laws; and the Company will reimburse each such Holder or controlling person as incurred for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection l.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation that occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person; provided further, however, that the foregoing indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of any Holder or underwriter, or any person controlling such Holder or underwriter, from whom the person asserting any such losses, claims, damages or liabilities purchased shares in the offering, if a copy of the prospectus (as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Holder or underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the shares to such person, and if the prospectus (as so amended or supplemented) would have cured the defect giving rise to such loss, claim, damage or liability.

(b) Each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or any state securities laws, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any person intended to be indemnified pursuant to this subsection l.8(b), for any legal or other expenses reasonably incurred by such person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this subsection l.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld), provided that in no event shall any indemnity under this subsection l.8(b) exceed the gross proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however,

that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if (but only if) prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.8, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.8.

(d) If the indemnification provided for in this Section 1.8 is unavailable to an indemnified party or is insufficient to hold to such indemnified party harmless against any such loss with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided that in no event shall any Holder be required to contribute an amount that exceeds the proceeds received by such Holder from the Offering.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in any underwriting agreement entered into in connection with an underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.8 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and the termination of this agreement. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

1.9 REPORTS UNDER SECURITIES EXCHANGE ACT OF 1934. With a view to making available to the Holders the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, at all times while the Company is a reporting issuer under the Exchange Act;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act (at all times it remains subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration or pursuant to such form.

1.10 ASSIGNMENT OF REGISTRATION RIGHTS. The rights to cause the Company to register Registrable Securities pursuant to Sections 1.2, 1.3 and 1.4 hereof may be assigned by a Holder to a transferee or assignee of such securities that is a subsidiary of the Investor or the ultimate parent of the Investor or any other subsidiary of such parent. The right to cause the Company to register Registrable Securities under Section 1.3 hereof may be assigned by the Holder to one or more unaffiliated transferees that after such assignment or transfer, hold at least that number of shares of Registrable Securities equal to one percent (1%) of the outstanding capital stock of the Company (as measured at the time of such transfer); provided: (a) the Company shall, within a reasonable time after such transfer, be furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and (b) such transferee or assignee shall agree in writing to be bound by and subject to the terms and conditions of
Section 1 of this Agreement. The rights to cause the Company to register Registrable Securities pursuant to Section 1.2 may not be assigned by the Investor to an unaffiliated transferee.

2. COVENANTS OF THE COMPANY AND THE INVESTOR.

2.1 COVENANTS OF THE COMPANY

(a) Pre-emptive Right . Until such time as the Investor has sold shares in the Company such that the Investor owns not less than five percent (5%) of the outstanding capital stock of the Company, subject to the terms and conditions specified in this Section 2.1(a) the Investor shall be entitled to a pre-emptive right with respect to future sales by the Company of its Shares (as hereinafter defined). Each time the Company proposes to offer any shares of, or securities convertible into or exchangeable or exercisable for any shares of, any class of its capital stock ("Shares"), the Company shall notify the Investor in accordance with the following provisions.

(i) The Company shall deliver a notice in accordance with Section
3.5 ("Notice") to the Investor stating (1) its bona fide intention to offer such Shares, (2) the number

of such Shares to be offered, and (3) the price and terms upon which it proposes to offer such Shares.

(ii) By written notification received by the Company, within twenty (20) calendar days after receipt of the Notice, the Investor may elect to purchase or obtain, at the price and on the terms specified in the Notice, up to that portion of such Shares that equals the proportion that the number of shares of Registrable Securities issued and held by the Investor bears to the total number of shares of Common Stock of the Company then outstanding (assuming full conversion of all convertible securities).

(iii) If all Shares that the Investor is entitled to obtain pursuant to subsection 2.1(a)(ii) are not elected to be obtained as provided in subsection 2.1(a)(ii) hereof, the Company may, during the ninety (90) day period following the expiration of the period provided in subsection 2.1(a)(ii) hereof, offer the remaining unsubscribed portion of such Shares either: (1) in a private offering to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the Notice, or (2) pursuant to a registered offering. If the Company does not either enter into an agreement for the issue and sale of the Shares within such period, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Investor in accordance herewith.

(iv) The right of first offer in this paragraph 2.1(a) shall not be applicable to (1) the issuance or sale of shares of Common Stock (or options therefor) to employees, directors and consultants for the primary purpose of soliciting or retaining their services, (2) the issuance of securities pursuant to the conversion or exercise of convertible or exercisable securities, (3) the issuance of securities in connection with a bona fide business acquisition of or by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise or (4) the issuance of stock, warrants or other securities or rights to persons or entities with which the Company has business relationships provided such issuances are for other than primarily equity financing purposes.

(v) In the event of an issue or sale of Common Stock contemplated by clause (iv) above after the close of business on June 25, 2001, the Investor shall have the right exercisable during the initial ten Business Days after the end of each fiscal quarter, commencing September 30, 2001 to purchase additional shares of Common Stock sufficient to retain its percentage ownership interest in the Company's outstanding common stock at a price per share equal to the Average Closing Price in effect on the last trading day of such fiscal quarter. For purposes of this clause (v), the "Average Closing Price" means as of any date the average of the last reported sales prices of the shares of Common Stock on the Nasdaq National Market (or other exchange in which the shares are then listed) for the ten (10) consecutive trading days ending on the date specified, or if such date is not a trading day, on the previous trading day and "Business Day" means any day other than a Saturday or Sunday or any on which commercial banks in Seattle, Washington or Helsinki, Finland are authorized or obligated by law to close.

(b) Reservation of Common Stock. The Company will at all times reserve and keep available, solely for issuance and delivery upon the exercise of the Warrant, all Common Stock issuable from time to time upon such exercise.

(c) Board Representation. Promptly following the execution and delivery of this Agreement, the Company shall take all necessary steps to appoint the Investor's designee as a member of the Company's Board of Directors, to serve until the Company's next annual shareholders' meeting at which time the Company will nominate such designee in its proxy statement to be elected by the shareholders to serve for a full term as a member of the Board of Directors. As long as the Investor has not sold shares such that the Investor holds less than five percent (5%) of the outstanding capital stock of the Company, the Company shall use its best efforts to cause and maintain the election to the Board of Directors of a representative designated by the Investor.

(d) Reimbursement of Expenses For Attending Board Meetings. The Company will reimburse the director nominated by the Investor for reasonable expenses (including airfare, lodging and other travel expenses) incurred in connection with attending meetings of the Company's Board of Directors. The director nominated by the Investor shall waive any director's fees, options or similar compensation payable by the Company to members of the Board of Directors for service as a director.

(e) Inspection Rights; Confidentiality. The Investor will have the right to receive all business information provided to the Company's Board of Directors in connection with each meeting of the Board of Directors promptly following the meeting at which such information is furnished to the Board of Directors. The Investor shall have the right to discuss the affairs, finances and accounts of the Company or any of its subsidiaries with the Company's executive officers, and to review such information as is reasonably requested all at such reasonable times and as often as may be reasonably requested, but not more than once each calendar quarter; provided, however, that the Company shall not be obligated under this Section 2.1(e) to furnish information to the extent that the Board of Directors determines in good faith that furnishing such information would be a violation of the Board's fiduciary duties

2.2 COVENANTS OF THE INVESTOR.

(a) Business Combination. The Investor covenants to and agrees with the Company that, for a period of two years from the date of this Agreement, the Investor will not act in concert with another party to effect a business combination involving, or sale of material assets of, the Company (including any soliciting of proxies designed to achieve such a transaction), except in the event of a third party Change-in-Control Transaction.

(b) Accumulation of Shares. The Investor covenants to and agrees with the Company that, for a period of two years from the date of this Agreement, the Investor shall not, without the prior written consent of the Company, increase its ownership interest in the Company, directly or indirectly, other than as a result of: (i) the Investor exercising the Warrant in whole in part, (ii) stock splits, dividends, rights offerings and recapitalizations;
(iii) any decrease in the total number of outstanding shares of the Company; and
(iv) a Change-in-Control Transaction; provided, however, the Investor may acquire additional shares of the Company's capital stock in the event any third party or group acquires an ownership interest in the Company that would exceed the Investor's, provided that the Investor shall only be allowed to acquire that number of shares necessary to have an equal ownership interest as such third party or group.

(c) Exception. Nothing in Section 2.2(a) or 2.2(b) or elsewhere in this Agreement, shall be deemed in any way to prohibit or limit: (i) any lawful action taken by the Investor in direct competition with any bona fide offer by a third party seeking a Change-in-Control Transaction with the Company,
(ii) any lawful action of any director nominated by the Investor and serving as a member of the Company's Board of Directors acting in such capacity; and (iii) any lawful action by the Investor or any of its affiliates, officers, directors or employees in connection with ongoing or prospective business relationships with or affecting the business relationships with or affecting the Company or any of its affiliates.

(d) Private Sale of Shares to Third Party. The Investor shall not, without the prior written consent of the Company's Board of Directors, transfer any Registrable Securities in a private sale to a third-party investor or "group" (as defined for purposes of Section 13(d) of the Exchange Act) if, as a result of such transfer, any individual or "group" would acquire more than two percent (2%) of the outstanding capital stock of the Company.

(e) Sale of Shares to the Public. In the event the Investor sells shares of the Company's Common Stock in the public market other than pursuant to Sections 1.2, 1.3 or 1.4 hereof, the Investor shall limit those sales to either
(i) sales in "brokers' transactions" within the meaning of Rule 144; or (ii) the sale of shares to a third-party investor or "group", provided that any individual investor or "group" would not acquire more than two percent (2%) of the outstanding capital stock of the Company.

(f) Change-in-Control Transactions. In the event the Warrant is accelerated in connection with a Change-in-Control Transaction, and the Investor exercises the Warrant upon such accelerated vesting, any shares acquired by the Investor upon such exercise shall be voted, at any shareholder vote on such Change-in-Control Transaction, in proportion to the other outstanding shares entitled to vote, such that those shares held by the Investor shall not impact the outcome of such shareholder vote. Notwithstanding the above, shares held by the Investors other than as a result of the exercise of an accelerated Warrant, may be voted at the sole discretion of the Investor.

(g) Confidentiality. The Investor acknowledges that the Company may pursuant to Section 2.1(e), above, provide it with information that is confidential or proprietary to the Company and agrees that all such information designated as confidential will be held and treated by it in confidence and it will not disclose such information in any manner whatsoever, in whole or in part, to any person (other than an agent, attorney or employee of the Investor) without the Company's prior written consent. The Investor agrees that any confidential information may be used by the Investor and its agents, attorneys and employees only in connection with the Investor's investment in the Company and any commercial arrangements between them. None of the following will constitute confidential information for purposes of this agreement: (i) information already in the Investor's possession and not received in confidence from the Company; (ii) information that now or in the future is made available to the Investor by a third party which, to the Investor's knowledge, has no obligation of confidentiality to the Company with respect to such information;
(iii) information which is or becomes publicly available through no fault of the Investor or (iv) information that is independently developed by Nokia without reference to, or use of, any confidential information.

3. MISCELLANEOUS.

3.1 SUCCESSORS AND ASSIGNS. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any shares of Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.2 GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of New York as applied to agreements among New York residents entered into and to be performed entirely within New York.

3.3 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.4 TITLES AND SUBTITLES. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.5 NOTICES. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or upon delivery by confirmed facsimile transmission, nationally recognized overnight courier service, or upon deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten (10) days' advance written notice to the other parties.

3.6 EXPENSES. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

3.7 ENTIRE AGREEMENT: AMENDMENTS AND WAIVERS. This Agreement constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of a majority of the Registrable Securities. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities, each future holder of all such Registrable Securities, and the Company.

3.8 SEVERABILITY. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

3.9 TERMINATION. This Agreement shall terminate on the latest of (i) the second anniversary hereof, (ii) the termination of the OEM Agreement (as defined in the Purchase

Agreement) or (iii) the termination of the Technology Agreement (as defined in the Purchase Agreement).

IN WITNESS WHEREOF, the parties have executed this Investor's Rights Agreement as of the date first above written.

COMPANY	*F5 NETWORKS, INC.*
	BY: /s/ John McAdam
	John McAdam, President
	Address: 401 Elliott Avenue West
	Seattle, Washington 98119
INVESTOR	*NOKIA FINANCE INTERNATIONAL BV*
	BY: /s/ Mika Vehvilainen
	Mika Vehvilainen, Attorney-in-fact

Address: Strawinskylaan 3111, 1077 ZX Amsterdam, The Netherlands

With copies to Nokia Corporation P.O. Box 226
FIN-00045

NOKIA GROUP
Keilalahdentie 4
FIN-02150
Espoo, Finland
Attn: Ursula Ranin, Vice President,
General Counsel

and

Nokia Internet Communications
313 Fairchild Drive
Mountain View, California 94043 USA
Attn: John Robinson, Senior Vice President
and General Manager

Nokia Inc.
6000 Connection Drive
Irving, Texas 75039 USA

Attn: Richard W. Stimson, Vice President, Legal Services

EXHIBIT 10.3

LANDLORD'S CONSENT TO SUBLEASING

THIS LANDLORD'S CONSENT ("Consent") is made this 27th DAY OF April, 2001 (the "Effective Date"), by and among 401 Elliott West, LLC, a Washington limited liability company ("Landlord"), F5 Networks, Inc., a Washington corporation ("Tenant"), and Cell Therapeutics, Inc., a Washington corporation ("Subtenant"). Landlord and Tenant are parties to that certain Amended and Restated Office Lease Agreement dated April 3, 2000 (the "Master Lease") pursuant to which Landlord leased to Tenant a total of 84,765 rentable square feet, floors 1 through 4 in that certain building located at 401 Elliot West, Seattle, WA ("Building Two") and 110,111 rentable square feet of area, floors 1 through 4 in that certain building located at 501 Elliot Avenue, West, Seattle, WA ("Building Three") (Building Two and Building Three shall sometimes herein be collectively referred to as the "Premises"). A copy of the Master Lease is attached to this Consent as Exhibit "A." Except as otherwise defined herein, all capitalized terms used herein shall have the meanings assigned in the Master Lease.

Landlord hereby gives its consent to the subleasing from Tenant to Subtenant, pursuant to that certain Sublease Agreement dated March 30, 2001 a copy of which is attached hereto as Exhibit "B" and incorporated by this reference (the "Sublease") of the entire Building Three, comprising 110,111 rentable square feet (the "Subleased Premises") which is part of the Premises described in the Master Lease, subject to the following conditions:

1. Tenant shall remain liable for the performance of all of the obligations arising under the Master Lease, as the same may be amended or modified from time to time, until the termination thereof. Except as specifically provided herein, as between Landlord and the Tenant, insofar as the specific terms, provisions or conditions of the Sublease purport to amend or modify or are in conflict with the specific terms, conditions or provisions of the Master Lease, the terms, conditions or provisions of the Master Lease shall govern and control.

2. Landlord agrees that in the event (a) the Master Lease is terminated for any reason whatsoever, (b) a rejection or disaffirmance of the Master Lease by Tenant pursuant to bankruptcy or any law affecting creditor's rights due to Tenant's default or (c) Subtenant exercises its Lease Option as more particularly set forth in Paragraph 10 below, then, provided that (i) Subtenant is not then in material default in any payments due under the Sublease and has not been in material default in any payments due under the Sublease more than twice in any twelve (12) month period, (ii) there is no existing non-rent default relating to the Sublease Premises and Subtenant has not been in material default with respect to any non-rent obligations under the Master Lease or Sublease more than twice in any twelve (12) month period, and (iii) Subtenant posts a security deposit

commensurate with the lease and restoration obligations under the Direct Lease, which deposit must be such, given Subtenant's then creditworthiness, as to meet a reasonable lender's criteria for a lease that makes the Building financeable on market terms for similar buildings, and (iv) the entry into a Direct Lease is approved by Landlord's lender, then Landlord shall enter into a Direct Lease with Tenant for the Sublease Premises. As used herein, "Direct Lease" means a lease on the same terms and conditions as the Master Lease, subject, however, to the security deposit requirement set forth above and to such modifications in Landlord's standard form lease as may have been required in the interim by Landlord's lender, and provided that Subtenant's ("Tenant" under the Direct Lease) obligations with respect to restoration of the Premises on surrender shall reference the condition of the Premises on commencement of the Sublease (as opposed to the condition on commencement of the Direct Lease). If Landlord and Subtenant cannot agree upon the amount of the security deposit to be provided by Subtenant for any Direct Lease pursuant to this Paragraph 2, then the amount of the security deposit shall be determined by the arbitration process stated in Paragraph 10 below. In addition, Landlord agrees to use commercially reasonable efforts to obtain within nine (9) months of the Effective Date hereof, Landlord's lender's approval of the Direct Lease rights granted to Subtenant pursuant to the terms of this Consent.

3. The consent hereby given by Landlord does not constitute a waiver of the necessity of the consent by Landlord to any subsequent subleasing, in whole or in part, of the Premises or to any assignment of the Master Lease; nor except as specifically provided herein, shall this consent be deemed to modify in any way the terms and conditions of the Master Lease nor shall it constitute agreement by Landlord with or acceptance by Landlord of any terms or provisions of any Sublease executed between Tenant and Subtenant.

4. No representation respecting the condition of the Premises or Subleased Premises has been made by the Landlord to the Subtenant.

5. Although Landlord has received a copy of the proposed Sublease between Tenant and Subtenant, it is not a party to that agreement and does not by executing this Consent agree to be bound by the terms thereof, such Sublease being an agreement between Tenant and Subtenant only.

6. Except as otherwise provided herein or in any Direct Lease: (a) Landlord shall have no obligation to accept, consider, or respond to any request, inquiry, demand or other communication from Subtenant, whether of a type described in the Sublease, or otherwise; (b) Subtenant shall have no right to enforce any of the Tenant's rights under the Master Lease against the Landlord, all of such rights being personal to the Tenant; and (c) notwithstanding Subtenant's undertaking to perform the duties, responsibilities and obligations of Tenant, as required by Paragraph 9 of this Consent, Landlord shall have no direct duties, responsibilities or obligations to Subtenant, and Subtenant shall have no rights against Landlord, Subtenant's rights being exclusively against Tenant.

7. If Landlord issues any notices of default under Paragraph 20 of the Master Lease, or notices relating to damage and destruction or condemnation pursuant to Paragraphs 17 and 18 of the Master Lease Landlord shall simultaneously deliver a copy of such notice to Subtenant at the address set forth below (using the notice procedures set forth in the Master Lease). Except as set forth above and except for notices to be sent pursuant to Paragraphs 17 and 18 of the Master Lease, notwithstanding anything to the contrary contained in the Sublease, Landlord shall have no obligation to deliver any notices called for under the Sublease or the Master Lease to the Subtenant. Landlord shall continue to deliver notices to the Tenant at the Premises in accordance with the Master Lease. Landlord agrees not to accept any elections by Tenant pursuant to Paragraphs 17 or 18 of the Lease relating to the Sublease Premises unless Landlord has so delivered a copy of the notice required under Paragraphs 17 or 18 as applicable, and Landlord shall use reasonable means to confirm that Subtenant is in accord with Tenant's election (but shall not be liable for failure to make such confirmation so long as Landlord has delivered notices as required hereunder).

8. As stated in Section 19, Assignment of Sublease, of the Master Lease, one-half (1/2) of any rent received by Tenant from its subtenants or assignees in excess of the Rent payable by Tenant to Landlord under this Lease (less the cost and expenses incurred by Tenant in connection with any such sublease or assignment) shall be paid to Landlord by Tenant.

9. With respect to all non-rent obligations under the Lease, Subtenant agrees to perform and fulfill all the terms, convenants, conditions, duties, responsibilities and obligations and to accept all liabilities of Tenant under the Lease relating to the Sublease Premises as if Subtenant were the Tenant under the Lease (including but not limited to indemnifications of Landlord, rights of Landlord to be named as an additional insured, and releases of Landlord, all as contained in the Lease), all to the extent same arise after the date hereof.

10. As used in this Paragraph 10, the "Renewal Exercise Period" shall mean the period not more than twenty-four (24) and not less than eighteen (18) months prior to expiration of the initial term of the Master Lease or the expiration of the first Extension Option, as the case may be. Subject to Subtenant meeting the requirements for a Direct Lease set forth in Paragraph 2 above at the time of each exercise of a renewal option, Landlord hereby grants Subtenant an option to lease the Subleased Premises on a direct basis from Landlord (the "Lease Option") for two (2) consecutive five (5) year periods at the expiration of the initial term of the Master Lease and the First Extension Option, as applicable. Subtenant shall exercise each respective Lease Option by delivering written notice to Landlord of its election during the respective Renewal Exercise Period, in which event Landlord and Subtenant, as tenant, shall enter into a Direct Lease for the Sublease Premises for the applicable Extension Option, all on the terms and conditions set forth in Section 29 of the Master Lease. In addition, Subtenant shall post a Security Deposit for

its obligations under the Direct Lease in an amount that would be reasonably required by landlords under leases of similar size with tenants of similar credit standing and restoration obligations. If Landlord and Subtenant cannot agree upon the amount of the Security Deposit, then the amount of the Security Deposit shall be determined using the arbitration procedure provided in Section 29 of the Master Lease concurrently with the determination of the Fair Market Rental Rate. Regardless of whether Subtenant elects to enter into a Direct Lease as provided in this Paragraph 10, the Master Lease between Landlord and Tenant shall expire at the end of the initial term of the Master Lease as by expiration of its term notwithstanding any Direct Lease between Landlord and Subtenant, and Tenant shall be entitled to a return of the then-existing balance of its security deposit in accordance with the terms and conditions of the Master Lease (provided further that if Landlord and Subtenant have entered into a Direct Lease with security satisfactory to Landlord securing restoration obligations, then Tenant's restoration obligations shall be superseded by the obligations of Subtenant under the Direct Lease).

11. Landlord hereby consents, pursuant to Section 7 of the Master Lease, to use of the Sublease Premises for laboratory uses of the types generally permitted by institutional landlords of similar buildings in multi-tenant developments in the Seattle area, provided that Landlord shall be permitted to impose such special restrictions or precautions as are commonly required by institutional landlords of similar tenants in the area. Landlord agrees to diligently process, pursuant to the consent provisions of the Master Lease, additional requests for additional permitted uses.

12. Notwithstanding anything in the Master Lease to the contrary, Landlord hereby agrees the Subtenant shall be permitted to exercise Tenant's right to install signage on the Sublease Premises pursuant to Section 37 of the Master Lease.

13. Landlord, Tenant and Subtenant contemplate that Subtenant will request of Tenant (and Tenant will in response request of Landlord) consent to alterations that will convert portions of the Premises to laboratory or other related non-office space, and that such alterations may be ones that Landlord will require Tenant to restore on termination of the Master Lease or Direct Lease, if applicable, pursuant to the terms of the Master Lease and this Consent. The installation by Subtenant of any improvements or alterations to the Subleased Premises necessary for the Permitted Use shall require Landlord's consent pursuant to Section 14 of the Master Lease. Landlord acknowledges that, pursuant to the Master Lease: "at the time Tenant submits plans for alterations to Landlord for Landlord's approval, Tenant may request that Landlord elect whether such alterations shall be removed at the termination of this Lease, and if so requested, Landlord shall make such election simultaneous with its approval of the alterations." Subtenant agrees to provide to Landlord concurrently with its submission of plans for Landlord's consent, a removal and restoration plan prepared by Subtenant's approved contractor (the "Removal Plan") which Removal Plan shall provide an estimate of the cost to remove such alterations and restore the Premises to its pre-alteration condition

following the termination of the sublease or Direct Lease, as applicable. The parties further acknowledge that Landlord may (and is expected to) require Tenant to post or arrange for the posting of a letter of credit securing restoration obligations under the Master Lease if the Sublease Premises are materially altered from their current improved state and Landlord requires that Subtenant remove any proposed alterations to be installed by Subtenant pursuant to the terms of the Master Lease and this Consent. This restoration obligation will be triggered by expiration or earlier termination of the Master Lease unless Landlord and Subtenant have entered into a Direct Lease (which Direct Lease shall, in such event, include a security deposit pursuant to Paragraph 2 above in the form of a letter of credit to secure restoration obligations). Tenant may (and is expected to) satisfy letter of credit requirements relating to restoration obligations by causing Subtenant to post a satisfactory letter of credit payable directly to Landlord, and Subtenant hereby recognizes this obligation. The form of the Letter of Credit and Landlord's rights thereunder are as set forth in Exhibit C, which is hereby incorporated by reference. Exhibit C is drafted on the assumption that the Letter of Credit will be posted directly by Subtenant. If posted by Tenant, the references shall be amended to reflect that fact. The amount of the restoration letter of credit to be posted pursuant to this Section 13 shall be equal to one hundred fifteen percent (115%) of the amount estimated in the Removal Plan for the cost of removal and Premises restoration relating to such alterations as Subtenant has elected to install and Landlord is requiring be removed pursuant to the Master Lease and this Consent, provided, however, that Tenant's contractor's estimate of the cost of removal and restoration shall be in lease-expiration dollars (calculated on an assumed 3% per annum inflation in costs).

14. Landlord agrees that within sixty (60) days of the parties' entry into a Direct Lease pursuant to the terms set forth herein, Landlord shall use commercially reasonable efforts to obtain for Subtenant's benefit (as tenant under such Direct Lease) a commercially reasonable form of non-disturbance agreement from any mortgage or ground lessor of the Subleased Premises.

15. Landlord and Tenant hereby represent and warrant to Subtenant and each other that (a) attached hereto as Exhibit "A" is a true correct and complete copy of the Master Lease and all amendments or side letter agreements related thereto (b) the Master Lease is in full force and effect, and has not been amended (c) that all Base Monthly Rent, monthly estimates of Tenant's Share of Expenses and other sums due under the Master Lease have been paid through April 30, 2001, (d) the Master Lease commenced on July 25, 2000, and shall expire on July 31, 2012; and (e) that neither Landlord nor Tenant is aware of any material defaults under the Master Lease by themselves or by the other party. Landlord and Tenant agree not to enter into any amendments affecting the Sublease Premises during the term of the Master Lease without Subtenant's prior written approval, which shall not be unreasonably withheld, conditioned, or delayed.

THIS CONSENT SHALL BE DEEMED EFFECTIVE ONLY UPON LANDLORD'S RECEIPT OF A FULLY EXECUTED ORIGINAL OF THIS DOCUMENT SIGNED BY ALL PARTIES.

RECEIPT ACKNOWLEDGED:

Landlord: 401 ELLIOTT WEST, L.L.C.

By: CHERLIN L.L.C.,
Its: Manager and Member

By: /s/ RICHARD L. CARSON
Richard L. Carson
Its: Managing Member

By: KMC-ONE, L.L.C.

Its: Member

By: /s/ STEPHEN K. KOEHLER
Stephen K. Koehler, President
Koehler McFadyen & Company
Its: Managing Member

Dated this 27th day of April, 2001.

Tenant: F5 NETWORKS, INC.

By: /s/ ROBERT J. CHAMBERLAIN
Its: CFO

Dated this ___ day of _____, 2001.

Subtenant: CELL THERAPEUTICS, INC.

By: /s/ JAMES BIANCO
Its: President and CEO

ACKNOWLEDGEMENT OF LANDLORD

STATE OF WASHINGTON)

) ss:

COUNTY OF KING)

I certify that I know or have satisfactory evidence that RICHARD L. CARSON and STEPHEN K. KOEHLER are the persons who appeared before me, and said persons acknowledged that they signed this instrument, on oath stated that they were authorized to execute this instrument and acknowledged it as the Managing Member on behalf of CHERLIN LLC and KMC-ONE LLC and Member of 401 ELLIOTT WEST LLC to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

DATED: 4/27/01.

Print Name: Denise K. Jonasson
NOTARY PUBLIC in and for the State of Washington, residing at Makilteo My Appointment expires: 7/9/04

(Use this space for notarial stamp/seal)

ACKNOWLEDGEMENT OF TENANT

STATE OF WASHINGTON)
) ss:
COUNTY OF KING)

On this 18th day of April, 2001, before me personally appeared Robert Chamberlain, to me known to be the SVP & CFO of F5 NETWORKS, INC., the corporation that executed the within and foregoing Sublease Agreement and acknowledged the said instrument to be the free and voluntary act of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year fist above written.

/s/ SANDRA G. GILBERT

NOTARY PUBLIC in and for the State of Washington, residing at Snohomish Co.

My Appointment expires: 6/1/02

Print Name Sandra G. Gilbert

(Use this space for notarial stamp/seal)

ACKNOWLEDGEMENT OF SUBTENANT

STATE OF WASHINGTON)
)
ss:
COUNTY OF KING)

On this 19th day of April, 2000, before me personally appeared James Bianco, to me known to be the President & CEO of CELL THERAPEUTIC, INC., the corporation that executed the within and foregoing _____ and acknowledged the said instrument to be the free and voluntary act of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year fist above written.

/s/ CAROL J. MERRELL
NOTARY PUBLIC in and for the State of Washington, residing at Vashon
My Appointment expires: 3/29/04
Print Name Carol J. Merrell

(Use this space for notarial stamp/seal)

EXHIBIT B
SUBLEASE AGREEMENT

EXHIBIT C
LETTER OF CREDIT RIGHTS AND CRITERIA

A. AMOUNT OF LETTER OF CREDIT. Landlord and Subtenant acknowledge and agree that in accordance with Section 13 of the Landlord's Consent, (i) Subtenant shall cause a Letter of Credit in the amount determined pursuant to
Section 13 of the Landlord's Consent, to be issued by the L/C Bank in favor of Landlord, and its successors, assigns and transferees; (ii) Subtenant will cause the Letter of Credit to remain in full force and effect during the entire Term of the Sublease and any Direct Lease and thereafter until the earlier of the date Landlord acknowledges Subtenant has completed all restoration obligations under the lease or 60 days after expiration or earlier termination of the Lease; and (iii) the initial Letter of Credit will be delivered to Landlord prior to Subtenant commencing any alterations on the Premises that will be required to be removed pursuant to Section 13 (and will be adjusted in amount if additional alterations are thereafter constructed that must be removed). The specific requirements for the Letter of Credit and the rights of Landlord to make draws thereon will be as set forth in Section 13 of the Landlord's Consent and this Exhibit C.

B. PAYMENT AND HOLDING OF DRAW PROCEEDS. Immediately upon, and at any time or from time to time after, the occurrence of any one or more Draw Events, Landlord will have the unconditional right to draw on the Letter of Credit, in the full amount thereof or in any lesser amount or amounts as Landlord may determine, in its sole and absolute discretion, in accordance with Section 13 of the Landlord's Consent and this Exhibit C. Upon the payment of Landlord of the Draw Proceeds, Landlord will hold the Draw Proceeds in its own name and for its own account, without liability for interest, and as security for the performance by Subtenant of Subtenant's covenants and obligations (theretofore or thereafter arising) under Section 13 of the Landlord's Consent and this Exhibit C, and will be entitled to use and apply any and all of the Draw Proceeds from time to time solely to compensate Landlord hereunder. Among other things, it is expressly understood that the Draw Proceeds will not be considered an advance payment of Base Rent or Additional Rent or a measure of Landlord's damages resulting from any event of default under the Master Lease or this Sublease (past, present or future). Further, immediately upon the occurrence of any one or more Draw Events, Landlord may, from time to time and without prejudice to any other remedy, use the Draw Proceeds (whether from a contemporaneous or prior draw on the Letter of Credit) to the extent necessary to pay to Landlord any and all amounts to which Landlord is entitled in connection with the pursuit of any one or more of its remedies hereunder, and to compensate Landlord for any and all other damage, injury, expense or liability caused to Landlord by any and all such Events of Default. Any delays in Landlord's draw on the Letter of credit or in landlord's use of the Draw Proceeds as provided in Section 13 of the Landlord's Consent and this Exhibit C will not constitute a waiver by Landlord of any of its rights hereunder with respect to the Letter of Credit or the Draw Proceeds. Following any such application of the Draw Proceeds, Subtenant will either pay to Landlord on demand the cash amount so applied in order to restore the Draw Proceeds to the full amount thereof immediately prior to such application or cause the Letter of Credit to be replenished to its full amount thereunder. Landlord will not be liable for any indirect, consequential, special or punitive damages incurred by Subtenant arising from a claim that Landlord violated the bankruptcy code's automatic stay in connection with any draw by Landlord of any Draw Proceeds, Landlord's liability under such circumstances being limited to the reimbursement of direct costs as and to the extent expressly provided in Section 13 of the Landlord's Consent and this Exhibit C. Nothing in this Landlord's Consent or in the Letter of Credit will confer upon Subtenant any property rights or interests in any Draw Proceeds; provided, however, that upon the expiration or earlier termination of the Lease, and so long as there then exist no Draw Events hereunder, Landlord agrees to return any remaining unapplied balance of the Draw Proceeds then held by Landlord, and the Letter of Credit itself (if and to the extent not previously drawn in full) to the L/C Bank.

C. TRANSFERABILITY. If Landlord transfers its interest in the Premises, or any portion thereof, during the Term, Landlord may transfer the Letter of Credit and any and all Draw Proceeds then held by Landlord to the transferee and thereafter will have no further liability with respect to the Letter of Credit or the Draw Proceeds, including, without limitation, any liability for the return of the Letter of Credit. Subtenant is responsible for any and all fees or costs (whether payable to the L/C Bank or otherwise) in order to effect such transfer of the Letter of Credit.

D. APPLICABLE DEFINITIONS.

"DRAW EVENT" means each of the following events:

(a) the occurrence of any one or more of the following: (i) Subtenant's filing of a petition under any chapter of the Bankruptcy Code, or under any federal, state or foreign bankruptcy or insolvency statute now existing or hereafter enacted, or Subtenant's making a general assignment or general arrangement for the benefit of creditors, (ii) the filing of an involuntary petition under any chapter of the Bankruptcy Code, or under any federal, state or foreign bankruptcy or insolvency statute now existing or hereafter enacted, or the filing of a petition for adjudication of bankruptcy or for reorganization or rearrangement, by or against Subtenant (or its guarantor hereunder) and such filing not being dismissed within 60 days, (iii) the entry of an order for relief under any chapter of the Bankruptcy Code, or under any federal, state or foreign bankruptcy or insolvency statute now existing or hereafter enacted, (iv) the appointment of a "custodian," as such term is defined in the Bankruptcy Code (or of an equivalent thereto under any federal, state or foreign bankruptcy or insolvency statute now existing or hereafter enacted), for Subtenant, or the appointment of a trustee or receiver to take possession of substantially all of Subtenant's assets located at the Premises or of Subtenant's interest in the Sublease and possession not being restored to Subtenant within 60 days, or (v) the subjection of all or substantially all of Subtenant's assets located at the Premises or of Subtenant's interest in the Sublease to attachment, execution or other judicial seizure and such subjection not being discharged within 60 days; or

(b) the failure of Subtenant, not less than 30 days prior to the stated expiration date of the Letter of Credit then in effect, to cause an extension, renewal or replacement issuance of the Letter of Credit, at the reduced amount, if any, applicable under Section 13 of the Landlord Consent, to be effected, which extension, renewal or replacement issuance will be made by the L/C Bank, and will otherwise meet all of the requirements of the initial Letter of Credit hereunder, which failure will be a Draw Event under Section 13 of the Landlord's Consent and this Exhibit C; or

(c) The failure of Subtenant to fulfill those restoration obligations under Section 26 of the Master Lease which are applicable to the Subleased Premises and Section 13 of the Landlord's Consent to which this is attached.

"DRAW PROCEEDS" means the proceeds of any draw or draws made by Landlord under the Letter of Credit, together with any and all interest accruing thereon.

"L/C BANK" means any United States bank which is approved by Landlord in Landlord's discretion.

"LETTER OF CREDIT" means that certain one-year irrevocable letter of credit, in the amount set forth in Section 13 of the Landlord's Consent, issued by the L/C Bank, as required under Section 13 of the Landlord's Consent and, if applicable, as extended, renewed, replaced or modified from time to time in accordance with
Section 13 of the Landlord's Consent and this Exhibit C, which letter of credit will be in substantially the same form as attached hereto.

SUBLEASE AGREEMENT

This Sublease Agreement ("Sublease") dated for reference purposes March 30, 2001, and is made between F5 Networks, Inc., a Washington corporation ("Sublandlord"), and Cell Therapeutics, Inc., a Washington corporation ("Subtenant"). This Sublease shall be effective on the date (the "Effective Date") that it is signed by Sublandlord and Subtenant, and Master Landlord has consented to this Sublease as provided in Section 14 below.

RECITALS

A. Pursuant to the Amended and Restated Office Lease Agreement dated April 3, 2000, between 401 Elliott West L.L.C., a Washington limited liability corporation, as landlord ("Master Landlord"), and Sublandlord as tenant (together with all modifications, amendments, riders and exhibits thereto, the "Master Lease"), a copy of which is attached hereto as Exhibit A, Master Landlord leased to Sublandlord 110,111 rentable square feet of space in Building Three (as defined in the Master Lease) located at 501 Elliott Avenue West in Seattle, Washington (the "Building"), which comprises all of the rentable area in the Building.

B. Sublandlord wishes to sublease the entire Building to Subtenant, with the sublease term for different portions of the Subleased Premises to start on different dates, on the terms and conditions provided below.

C. Unless otherwise provided herein, all capitalized terms shall have the meaning set forth in the Master Lease.

NOW, THEREFORE, in consideration of the above Recitals which are incorporated by this reference, the mutual covenants contained in this Sublease, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, Sublandlord and Subtenant hereby agree as follows:

AGREEMENT

1. SUBLEASE

Sublandlord hereby subleases to Subtenant and Subtenant hereby subleases from Sublandlord the entire Building (the "Subleased Premises"), for the Term (as defined in Section 2 below), at the rental, and upon all of the terms and conditions set forth, together with the right to use, in common with others entitled thereto, the Common Areas (as defined in the Master Lease). The Subleased Premises are comprised of the following areas on different floors in the Building (each, an "Area"): 19,333 rentable square feet on the first floor described as "Area 1A;" 4,442 rentable square feet on the first floor of the Building described as "Area 1B;" 14,666 rentable square feet on the second floor described as "Area 2A;" 14,188 rentable square feet on the second floor described as "Area 2B;" 28,741 rentable square feet on the third floor described as "Area 3;" and 28,741 rentable square feet on the fourth floor described as "Area 4." Sublandlord shall deliver to Subtenant possession of the Subleased Premises in their "AS IS"

condition. The Subleased Premises are more particularly shown on Exhibit "C" attached hereto and incorporated by this reference.

2. TERM

The term of this Sublease (the "Term") shall commence on the following dates (each, a "Commencement Date") for each Area: (i) the Effective Date for Areas 1B, 2B, 3 and 4; (ii) February 1, 2002 for Area 1A; and (iii) for Area 2A, the date Sublandlord has for any reason recovered possession of that Area from NeoRx Corporation, Inc., a Washington corporation ("NeoRx"). Sublandlord shall deliver notice of termination to NeoRx within five (5) business days after Sublandlord receives written notice from Subtenant stating that Subtenant wishes for Sublandlord to terminate NeoRx's tenancy. Subtenant acknowledges that Sublandlord must give NeoRx written notice nine (9) months prior to the effective termination date, and that Sublandlord may not require that the termination date be sooner than November 1, 2002. Sublandlord shall use commercially reasonable efforts to regain possession of Area 2A in a timely manner after delivering a notice of termination to NeoRx. Notwithstanding the foregoing, Subtenant's obligation to pay Base Rent and Additional Rent for Areas 1B, 2B, 3 and 4 shall be calculated from April 6, 2001 (which shall be the "Rent Commencement Date" for those Areas). The Rent Commencement Dates for Areas 1A and 2A shall be the same as the Commencement Dates for those Areas.

Sublandlord and Subtenant hereby acknowledge and agree that Area 3 is currently subleased by Subtenant from Sublandlord pursuant to that certain Sublease dated December 4, 2000 (the "Prior Sublease"). Sublandlord and Subtenant agree that on the Effective Date hereto the Prior Sublease shall terminate and the parties shall have no further rights or obligations thereunder. The Term for the entire Subleased Premises shall expire on July 31, 2012 (the "Expiration Date").

If for any reason Sublandlord does not deliver to Subtenant possession of Areas 1A or 2A on the Commencement Date for those Areas, then Base Rent and Operating Expenses, as defined in Section 3, for those Areas shall abate on a per diem basis until delivery of possession as required herein. In the event Sublandlord does not deliver possession of any Area within sixty (60) days of the respective Commencement Date for that Area, then Subtenant shall have the right to terminate this Sublease with respect to the subject Area by providing written notice of such election to terminate to Sublandlord or Subtenant may specifically enforce Sublandlord's obligations to deliver possession of that Area. The Expiration Date shall not be extended due to any delay in the Commencement Dates for any of the Areas.

Upon the execution of this Sublease by Sublandlord and Subtenant, Subtenant shall have the right to enter the Sublease Premises to begin planning and design work for the alterations contemplated by Section 10 below. Subtenant shall indemnify, defend and hold Sublandlord harmless from any liability or damages that arises from such early entry. This indemnification and defense obligation shall survive termination of this Sublease.

3. BASE RENT AND OPERATING EXPENSES

3.1 BASE RENT

Subtenant shall pay to Sublandlord monthly installments of Base Rent (as that term is defined below) on or before the first day of each calendar month during the Term at Sublandlord's address stated in Section 14. The monthly installments of Base Rent shall be prorated on a per diem basis for the first or last month of the Term if the Rent Commencement Date for any Area or the Expiration Date is not the first day or last day of a calendar month. Subtenant shall pay to Sublandlord within one (1) business day after the Effective Date.

a) Area 1A and 1B. The annualized Base Rent for Area 1A and Area 1B on the first floor of the Building shall be $26.50 per rentable square foot for the period from the Commencement Date for each Area through December 31, 2003. On January 1, 2004, the annualized Base Rent for Areas 1A and 1B shall be $27.50 per rentable square foot, and the annualized Base Rent for those Areas shall increase on January 1 of each subsequent year during the Term by $1.00 per rentable square foot.

b) Area 2A, 2B, 3 and 4. The annualized Base Rent for Areas 2A, 2B, 3 and 4, on the second, third and fourth floors respectively, of the Building shall be $28.00 per rentable square foot for the period from the Commencement Date for each Area through December 31, 2003. On January 1, 2004, the annualized Base Rent for Areas 2A, 2B, 3 and 4 shall be $29.00 per rentable square foot, and shall increase on January 1 of each subsequent year during the Term at the rate of $1.00 per rentable square foot.

3.2 OPERATING EXPENSES

Subtenant shall pay to Sublandlord as Additional Rent its proportionate share of all Expenses, as defined in Section 4(c) of the Master Lease, including all increases in Expenses during the Term of this Sublease. Subtenant's proportionate share of Expenses will be calculated from the Rent Commencement Dates for each Area, and the first monthly installment shall be due within one (1) business day after the Effective Date. Subtenant's proportionate share of Expenses separately allocated to the Building shall be calculated by dividing the agreed area of the portion of the Subleased Premises possession of which has been delivered to Subtenant pursuant to Paragraph 2 above by the total area of the Building, which is deemed to be 110,111 rentable square feet. Subtenant's proportionate share will change during the Term as the agreed area of the Subleased Premises increases. For example, prior to the Effective Date, the Subleased Premises will include only Area 3 comprising 28,741 rentable square feet, which results in Subtenant's proportionate share of 26.10%. On the Effective Date, the Subleased Premises will likely include Areas 1B, 2B, 3, and 4 comprising 76,112 rentable square feet, which results in Subtenant's proportionate share of 69.12%. On February 1, 2002, Area 1A will be included in the Subleased Premises, which will increase the agreed area of the Subleased Premises to 95,445 rentable square feet, resulting in Subtenant's proportionate share of 86.68%. Finally, upon the addition of Area 2A, Subtenant's proportionate share will be 100%.

Sublandlord shall continue to pay all Expenses separately allocated to portions of the Premises (as defined in the Master Lease) possession of which has not been delivered to Subtenant pursuant to Paragraph 2 above. If any Expenses that are attributable to the occupancy of the remainder of the Premises leased by Sublandlord under the Master Lease and Building 3 and are not separately stated, then Subtenant's proportionate share shall be calculated by dividing the agreed area of the portion of the Subleased Premises possession of which has been delivered to Subtenant pursuant to Paragraph 2 above, by the combined areas of the remainder of the Premises leased by Sublandlord under the Master Lease. The area of Building 2 shall be deemed to be 85,446 rentable square feet as provided in the Master Lease. Subtenant's proportionate share of Expenses attributable to the entire Project (as defined in the Master Lease), shall be calculated by dividing the portion of the Subleased Premises possession of which has been delivered to Subtenant pursuant to Paragraph 2 above, by the Project Area, which is deemed to be 299,643 rentable square feet, as provided in the Master Lease.

4. SIGNAGE

Subtenant shall be permitted to exercise and utilize all signage rights granted to Sublandlord pursuant to Section 37 of the Master Lease with respect to the Subleased Premises, subject to all the same approvals, conditions, rules, regulations, and restrictions as set forth in the Master Lease. Sublandlord will not unreasonably withhold its consent to any signage requested by Subtenant and shall use reasonable efforts and diligence in submitting Subtenant's requests for signage to Master Landlord for approval.

5. DIRECT LEASE WITH MASTER LANDLORD UPON THE EXPIRATION OF THE TERM

Subtenant acknowledges that Sublandlord has the option to extend the term of the Master Lease for two additional terms of five (5) years each (the "Renewal Options"), the Renewal Options are not assignable, and Sublandlord is currently not willing to extend the term of the Master Lease. Sublandlord hereby relinquishes its right to exercise the Renewal Options, and agrees that Subtenant may enter into a direct lease with Master Landlord at the end of the Term. Provided, however, the foregoing relinquishment shall be deemed void and Sublandlord shall again have the right to exercise the Renewal Options without the need for any further action by either party upon the termination of this Sublease (other than by expiration on the Expiration Date) for any reason other than a material default by Sublandlord which is not cured within any applicable cure period. Sublandlord agrees that in the event Subtenant exercises its option to enter into a direct lease with Master Landlord for the Subleased Premises as more particularly provided in the Master Landlord Consent: (i) Sublandlord shall not be permitted to exercise the Renewal Options, and (ii) the Master Lease with respect to the Subleased Premises shall terminate on the expiration of the initial Lease Term under the Master Lease.

6. PARKING

Subtenant shall be permitted to exercise all parking rights to Sublandlord with respect to the Subleased Premises pursuant to Section 11 and 41 of the Master Lease with regard to those Areas of the Subleased Premises for which the Term has commenced, which is 1.9 stalls per 1,000 rentable square feet, throughout the Term of the Sublease on an unreserved basis in the

Building parking garage. Subtenant's parking rights shall increase as the Term commences for additional Areas. Subtenant shall pay to Sublandlord rent for the stalls in the same manner and in the same amount as charged to Sublandlord under the Master Lease. If the Master Lease provides for direct payment of parking rent to a parking garage operator, then Subtenant shall pay rent for those stalls directly to that operator.

7. SECURITY DEPOSIT

Within one (1) business day after the Effective Date, Subtenant shall deposit with Sublandlord an irrevocable, unconditional standby letter of credit issued by a financial institution reasonably acceptable to Sublandlord, in substantially the form attached to this Sublease (the "Letter of Credit") in an amount equal to Two Million Dollars ($2,000,000) as security for Subtenant's faithful performance of Subtenant's obligations hereunder ("Security Deposit"). If Subtenant fails to pay rent or other charges when due under this Sublease beyond any applicable notice and cure period, or fails to perform any of its obligations hereunder beyond any applicable notice and cure period, Sublandlord may use or apply all or any portion of the Security Deposit for the payment of any rent or other amount then due hereunder and unpaid, for the payment of any other sum for which Sublandlord may become obligated pursuant to this Sublease by reason of Subtenant's default or breach, or for any loss or damage sustained by Sublandlord as a result of Subtenant's default or breach pursuant to this Sublease. Upon demand following application of the Security Deposit pursuant to this Section 7, Subtenant shall immediately restore the Security Deposit to its full amount. Concurrently with Subtenant's delivery of the Letter of Credit, Sublandlord shall return to Subtenant the security deposit that it holds under Prior Sublease in the amount of $131,729.58. Any portion of the Security Deposit not applied pursuant to this Section 7 and remaining at the expiration of this Sublease shall be returned to Subtenant within twenty (20) days of the expiration of the Term.

8. USE OF SUBLEASED PREMISES

Sublandlord and Subtenant agree and acknowledge that Subtenant will use the Subleased Premises for laboratory purposes and that such laboratory uses are not currently permitted under the Master Lease. Sublandlord and Subtenant agree that it shall be a condition to the effectiveness of this Sublease pursuant to
Section 13 below that Master Landlord agree in the Master Landlord Consent that Laboratory use be included as a permitted use under the Master Lease. For purposes of this Sublease and the Master Lease, "Laboratory Use" shall be deemed to include the installation, operation, and maintenance of the following:

H-2 Room

H-2 is a Uniform Fire Code (UFC) classification for a particular room or building that allows the dispensing and storage of flammable and other hazardous materials. The design and construction requirements for an H-2 room are described in the Uniform Building Code (UBC) and the UFC. H-2 rooms often have requirements such as dikes or berms to trap firewater and contain spills, increased ventilation requirements, and explosion proof lighting and electrical systems;

Hydrogenation Facility

Use of hydrogen gas in synthetic organic chemistry is common in the biotech and pharmaceutical industries. Hydrogen gas (H2) is a flammable gas and can reach explosive mixtures in air, thus use of H2 is heavily regulated by the UFC and industry. The hydrogenation facility would likely include explosion proof lighting and electrical systems, blowout panels if required, dikes and berms to trap firewater and spills.

NMR Facility

Nuclear Magnetic Resonance (NMR) is the research version of the Magnetic Resonance Imaging (MRI). An NMR facility sometimes involves concrete walls and additional floor stabilization; however, with modern advances in vibration dampening and reduction in magnetic fields, this is not expected.

Synthetic Chemistry Facilities

Synthetic chemistry and process development laboratories will likely have a large number of walk-in and bench chemical fume hoods. The fume hoods necessitate additional ducting, gas distribution manifolds and plumbing, and chemical storage capability.

Animal Facility

Animal facilities are likely to include specialized washing, sanitation, and sterilization equipment, a separate HVAC system, and additional security measures. Walls, ceilings and floors will be sealed, and electrical systems will likely be required to meet electric code requirements for wet environments.

9. ASSIGNMENT AND SUBLEASE

9.1 Subtenant shall have a continuing right to assign or sublease all or a portion of the Subleased Premises, subject to prior approval of Sublandlord and Master Landlord, which approvals shall not be unreasonably withheld, conditioned or delayed. Subtenant shall provide written notice to Sublandlord as to the amount of space Subtenant elects to sublease or assign, and when Subtenant is prepared to sublease or assign such space. Sublandlord shall have the right to terminate this Sublease ("Recapture") in the event Sublandlord's consent is required and Subtenant proposes to assign this Sublease to an entity other than an Affiliate (as defined below). In addition, Sublandlord shall have the right to Recapture that portion of the Subleased Premises which Subtenant proposed to sublease to an entity which is not an Affiliate in the following circumstances: (i) the portion of the Subleased Premises which Subtenant has elected to sublease includes 10,000 rentable square feet or more of office space (as opposed to lab space); or (ii) the term for such sublease is more than 50 percent of the remainder of the Term. Sublandlord shall respond within ten (10) days of receiving such written notice from Subtenant of Sublandlord's decision to approve or disapprove of the subletting or assignment pursuant to this
Section 9. If

Sublandlord does not respond within such ten-day period, the non-response shall be deemed an election of Sublandlord not to Recapture the space (if applicable) and to approve such assignment or sublease and Subtenant shall have the right to proceed with the proposed subleasing or assignment subject to any approval of the Master Landlord required under the Master Lease. An Affiliate shall mean any entity or foundation which has a substantial and continuing business or philanthropic relationship with Subtenant, and may include, research partners, non-profit corporations, and joint venture partners.

9.2 Notwithstanding the foregoing to the contrary, Sublandlord's consent shall not be required for any assignment or subletting for which the Master Landlord's consent is not required under the Master Lease.

10. ALTERATIONS

Notwithstanding anything in this Sublease or the Master Lease to the contrary, Sublandlord agrees that Subtenant shall only be required to obtain Master Landlord's consent to any alterations or improvements to the Subleased Premises pursuant to Section 14 of the Master Lease and shall not be required to obtain Sublandlord's consent to any such alterations or improvements, provided that Subtenant shall provide Sublandlord with copies of all plans and specifications for any alterations or improvements concurrently with its delivery of such plans and specifications to Master Landlord for review and approval.

11. INCORPORATION BY REFERENCE

11.1 SUBJECT TO LEASE

Subject to Section 11.2 below, this Sublease is subject to all of the terms and condition of the Master Lease by and between Sublandlord and Master Landlord. Subtenant shall obtain insurance for the Subleased Premises and name Sublandlord as an additional insured in the policy.

11.2 INTERPRETATION

The terms, conditions and respective obligations of Sublandlord and Subtenant to each other under this Sublease shall be the terms and conditions of the Master Lease except for those provisions of the Master Lease which are directly contradicted by this Sublease, in which event the terms of this Sublease shall control over the Master Lease, and except for the following sections of the Master Lease which shall not apply to the Sublease: Sections 1(a) through 1(j), 1(l) through 1(n), 1(p) through 1(r), 3, 5, 6, 29 through 35, and 41 (regarding the Building Two reserved parking, provided Subtenant shall have the right to use the Building 3 reserved parking pursuant to Paragraph 6 above), and Exhibits A (pages 1 through 4), C, F and H. Therefore, for the purposes of this Sublease, wherever in the Master Lease the word "Landlord" is used it shall be deemed to mean the Sublandlord herein and wherever in the Master Lease the word "Tenant" is used it shall be deemed to mean the Subtenant herein.

Except as provided herein, Subtenant assumes and agrees to perform Sublandlord's obligations under the Master Lease during the Term to the extent that such obligations are applicable to the Subleased Premises, except that the obligation to pay Rent and Expenses to Master Landlord under the Master Lease shall be considered performed by Subtenant to the extent and in the amount rent is paid to Sublandlord in accordance with Section 3 of this Sublease. Subtenant shall not commit or suffer any act or omission that will violate any of the provisions of the Master Lease. Sublandlord will exercise reasonable and good faith efforts in attempting to cause Master Landlord to perform its obligations under the Master Lease for the benefit of Subtenant.

In the event of termination of the Master Lease, the Subtenant's rights and obligations for the Subleased Premises shall survive such termination and remain in full force and effect unless or until the Master Landlord and Subtenant alter the rights and obligations between them in writing; provided, however, if the Master Lease terminates as a result of the default or breach by Sublandlord or Subtenant under this Sublease, then the defaulting party shall be liable to the non-defaulting party for the damage suffered as a result of such termination. Sublandlord shall not make any election pursuant to Sections 17 or 18 of the Master Lease with respect to the Subleased Premises without Subtenant's prior written approval, which approval shall not be unreasonably withheld, conditioned, or delayed.

12. SUBLANDLORD'S REPRESENTATIONS AND WARRANTIES

Sublandlord represents and warrants to Subtenant as follows:

12.1 The Master Lease is in full force and effect and has not been modified, supplemented or amended.

12.2 Sublandlord has the right to complete possession of the Master Premises subject to the Sublease to NeoRx of Area 2A.

12.3 Sublandlord has fulfilled all its duties under the Master Lease and is not in default under the Master Lease and shall not commit or suffer any act or omission that will result in a violation of or a default under any of the provisions of the Master Lease and/or the Sublease.

12.4 To the best of Sublandlord's knowledge Master Landlord has fulfilled all its duties under the Master Lease and is not in default under the Master Lease.

12.5 Sublandlord has not assigned, transferred or delegated any of its right or duties under the Master Lease or pledged or encumbered any of its interest in, or right under the Master Lease.

12.6 Sublandlord has all right, power and authority necessary to enter into and deliver this Sublease and to perform its obligations hereunder.

12.7 To the best of Sublandlord's knowledge there has been no Hazardous Materials used, disposed or stored on, in or around the Subleased Premises in violation of the Master Lease.

13. COVENANTS REGARDING LEASE

13.1 Sublandlord shall not commit or suffer any act or omission that will result in a violation of or a default under any of the provisions of the Sublease.

13.2 Sublandlord shall exercise commercially reasonable good faith efforts in attempting to cause Master Landlord to perform its obligations and give any required consents under the Master Lease for the benefit of Subtenant.

13.3 Sublandlord covenants as follows: (i) not to voluntarily terminate the Master Lease, (ii) not to modify the Master Lease so as to adversely affect Subtenant's rights hereunder, and (iii) to take all actions reasonably necessary to preserve the Master Lease; provided, however, Sublandlord may modify the Master Lease or terminate the Master Lease with respect to portions of the Premises other than the Subleased Premises, so long as such modification or termination does not adversely effect Subtenant's rights under this Sublease or the Landlord Consent (for example if this Sublease was replaced with a direct lease from the Master Landlord on the same terms).

13.4 Sublandlord agrees to deliver to Subtenant a copy of any notice received from Master Landlord relating to the Premises, Subleased Premises, or any right or obligation of Subtenant within two (2) business days of its receipt thereof.

13.5 In the event that Sublandlord defaults under its obligations to be performed under the Master Lease, Subtenant shall have the right among other remedies to cure the default before the date Sublandlord's applicable cure period expires under the Master Lease. If such default is cured by Subtenant, Sublandlord shall reimburse Subtenant for such amounts within ten (10) days after notice and demand therefore from Subtenant, together with interest at the interest rate specified in the Master Lease. If Sublandlord fails to reimburse Subtenant within such ten (10) day period, Subtenant may deduct such amounts from subsequent installments of rent due to Sublandlord under this Sublease.

13.6 Sublandlord shall not voluntarily terminate the Master Lease without Subtenant's prior written consent, which shall not be unreasonably withheld, conditioned, or delayed.

13.7 Sublandlord shall not amend or make any election under the Master Lease that would adversely affect the Subleased Premises or Subtenant's rights or obligations under this Sublease without Subtenant's prior written consent, which shall not be unreasonably withheld, conditioned, or delayed.

14. CONDITIONS PRECEDENT

This Sublease is conditioned upon Master Landlord consenting to this Sublease pursuant to a Master Landlord Consent (the "Master Landlord Consent") in form reasonably acceptable to Subtenant and Sublandlord. The Master Landlord Consent shall contain, among other things Master Landlord's agreement to: (i) enter into a direct lease with Subtenant for the Subleased Premises upon on terms and conditions consistent with the Master Lease if the Master Lease is terminated for any reason, the bankruptcy or other assignment for the benefit of creditors by Sublandlord, or upon the expiration of the initial Lease Term under the Master Lease; (ii) permit Sublandlord and Subtenant to use the Subleased Premises for Laboratory Uses; (iii) allow Subtenant to install signage on the exterior of the Building pursuant to Section 37 of the Master Lease, and (iv) not unreasonably withhold, condition, or delay its consent to Subtenant making those alterations and improvements necessary to allow the Subleased Premises to be used for Laboratory Use. If Master Landlord has not consented to this Sublease within thirty (30) days after this Sublease has been signed by Sublandlord and Subtenant, then either party may terminate this Sublease by delivering written notice of termination to the other party.

15. INDEMNIFICATION

15.1 SUBTENANT'S INDEMNIFICATION

Subtenant shall indemnify, defend and hold harmless Sublandlord from and against all losses, costs, damages, expenses and liabilities, including, without limitation, reasonable attorneys' fees and disbursements, which Sublandlord may incur or pay out (including, without limitation, to Master Landlord) by reason of (a) any accidents, damages or injuries to persons or property occurring in, on or about the Subleased Premises (unless the same shall have been caused by Sublandlord's negligence or wrongful act or the negligence or wrongful act of Master Landlord), (b) any breach or default hereunder on Subtenant's part, (c) the successful enforcement of Sublandlord's rights under this Section or any other Section of this Sublease, (d) any work done after the date hereof in or to the Subleased Premises except if done by Sublandlord or Master Landlord, or (e) any act, omission or negligence on the part of Subtenant and/or its officers, partners, employees, agents, customers and/or invitees, or any person claiming through or under Subtenant.

15.2 SUBLANDLORD'S INDEMNIFICATION

Sublandlord shall indemnify, defend and hold harmless Subtenant from and against all losses, costs, damages, expenses and liabilities, including, without limitation, reasonable attorneys' fees and disbursements, which Subtenant may incur or pay out (including, without limitation, to Master Landlord) by reason of (a) any accidents, damages or injuries to persons or property occurring in, on or about any portion of the Master Premises other than the Subleased Premises (unless the same shall have been caused by Subtenant's negligence or wrongful act), (b) any breach or default hereunder or under the Master Lease on Sublandlord's part, or (c) any act, omission or negligence on the part of Sublandlord and/or its officers, partners, employees, agents, customers and/or invitees, or any person claiming through or under Sublandlord.

16. NOTICES

All notices and demands that may or are to be required or permitted are to be given by either party on the other hereunder shall be in writing. All notices and demands by Master Landlord, Sublandlord to Subtenant shall be personally delivered or sent by a nationally recognized private carrier of overnight mail (e.g. FedEx) or by United States Certified Mail, return receipt requested and postage prepaid, to the parties at the addresses listed below or at such other addresses as the parties may designate by notice from time to time.

To Sublandlord:	F5 Networks, Inc 401 Elliott Ave West Seattle, Washington 98119 Attention: Joann Reiter, General Counsel
To Subtenant:	Cell Therapeutics, Inc. 201 Elliott Avenue, Suite 400 Seattle, Washington 98119 Attention: Dr. James Bianco cc: Legal Affairs

17. QUIET ENJOYMENT

Provided that Subtenant is not in default of any term or provision of the Master Lease or this Sublease beyond any applicable notice and cure period therein, Subtenant shall have peaceful and quiet enjoyment of the Subleased Premises without interference from Sublandlord or any person or entity claiming by, through or under Sublandlord.

18. SURRENDER

At the end of the Term, Sublessee shall surrender all keys to the Subleased Premises to Sublandlord and Subtenant shall deliver the Subleased Premises in the condition required under the Master Lease and Master Landlord Consent and shall be permitted to remove all of its furniture, furnishings, personal property, trade fixtures and the "Equipment" listed on Exhibit B attached hereto and incorporated herein, which are made by Subtenant in the Subleased Premises, and shall repair all damage caused by such removal, reasonable wear and tear, casualty and condemnation excepted. Subtenant's obligations under this Section 18 shall survive the expiration or earlier termination of this Sublease. Except as otherwise provided herein, any items remaining in the Subleased Premises on the Expiration Date shall be deemed abandoned for all purposes. Sublandlord may dispose of the same without liability of any nature and at the expense of Subtenant.

19. LIMITATIONS

Notwithstanding anything to the contrary in this Sublease, the only services or rights to which Subtenant is entitled hereunder are those to which Sublandlord is entitled under the Master

Lease. Subtenant will look to Master Landlord for all such services and rights. Sublandlord will cooperate with Subtenant as reasonably requested by Subtenant to assist Subtenant in obtaining services and rights from Master Landlord.

20. INSURANCE

Prior to the Commencement Date for each Area which comprises the Subleased Premises, Subtenant shall provide Sublessor with evidence that it has obtained the insurance required by Section 16 of the Master Lease. Such insurance shall name Sublandlord, Master Landlord and Master Landlord's management contractor as additional insureds.

21. ATTORNEY'S FEES

If Sublandlord or Subtenant shall commence an action against the other arising out of or in connection with this Sublease, the prevailing party shall be entitled to recover its costs of suit and reasonable attorney's fees.

22. ENTIRE AGREEMENT

This Sublease, the Exhibits attached hereto and the Master Lease, which is incorporated herein by reference, constitute the entire agreement between Sublandlord and Subtenant with respect to the Subleased Premises and may not be amended or altered except by written agreement executed by both parties.

23. BROKERAGE COMMISSIONS

Subtenant hereby provides notice it is represented by Colliers International. Sublandlord hereby provides notice it is represented by Washington Partners, Inc. Sublandlord agrees to pay and be solely responsible for a commission equal to $5.00 per rentable square foot subleased to Colliers International for its role in this transaction, less the commission paid to Colliers International as a result of the Prior Sublease to Subtenant. Sublandlord also agrees to pay Washington Partners a commission equal to one-half of the commission payable to Colliers International. One-half of the commissions due Colliers shall be paid within 5 business days following the mutual execution of the Sublease and approval by Master Landlord. The balance of the commissions shall be paid within 5 business days after the scheduled Commencement Dates for each of the areas in proportion to the percentage of the Building then occupied by Subtenant. Subtenant and Sublandlord acknowledge receipt of the pamphlet entitled "The Law of Real Estate Agency".

24. BINDING ON SUCCESSORS

This Sublease shall bind the parties' heirs, successors, representatives and permitted assigns.

IN WITNESS WHEREOF, the parties hereto hereby execute this Sublease as of the day and year first above written.

SUBLANDLORD: F5 Networks, Inc.	*SUBTENANT: Cell Therapeutics, Inc.*
By /s/ ROBERT J. CHAMBERLAIN	*By /s/ LOUIS A. BIANCO*
Name Robert J. Chamberlain	*Name Louis A. Bianco*
Title SVP - CFO	*Title E.V.P. Finance & Administration*

STATE OF WASHINGTON)
) Ss.
COUNTY OF KING)

On this 5th day of April 1, 2001, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Robert J. Chamberlain, to me known to be the person who signed as SVP - CFO of F5 NETWORKS, INC., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was duly elected, qualified and acting as said officer of the corporation, that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and official seal the day and year first above written.

Signature /s/ SANDRA G. GILBERT

NOTARY PUBLIC in and for the State
of Washington, residing at Snohomish County
My appointment expires: 6/1/02

STATE OF WASHINGTON)
) Ss.
COUNTY OF KING)

On this 3rd day of April, 2001, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Louis A. Bianco, to me known to be the person who signed as EVP, Finance & Admin of CELL THERAPEUTICS, INC., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was duly elected, qualified and acting as said officer of the corporation, that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

IN WITNESS WHEREOF I have hereunto set my hand and official seal the day and year first above written.

Signature /s/ CAROL J. MERRELL

NOTARY PUBLIC in and for the State
of Washington, residing at Vashon, WA
My appointment expires: 3/29/04

EXHIBIT A

MASTER LEASE

EXHIBIT B

LIST OF EQUIPMENT AND INSTALLATIONS
TO BE REMOVED ON SUBLEASE EXPIRATION

OFFICE

Desks

Task chairs

Visitor's side chairs

Bookshelves

File cabinets

Meeting tables

Computers and related accessories

Printers, fax machines, copiers

Credenzas

LABS

Biological safety cabinets

Refrigerators, Refrigerators/freezers, freezers

Centrifuges

Column racks

Compressed gas tanks & manifolds
(excluding piping systems)

MISC

All Telephone equipment

Computer network systems

Specialized animal washing, sanitation equipment

Autoclave boilers

Cable TV and satellite equipment

Computer room racking systems

Computers & associated system equipment

Incubators

Autoclaves

Shakers

Film developer and film processors

"Metro shelving" and benches

All mobile benches, tables, carts, cabinets, lab chairs, and stools

Scintillation counters

Balances and balance tables

All bench-top lab equipment

Freeze dryers

Laboratory ovens

Microwave ovens

Fluorometer

NMR/compressor

All analytical chemistry equipment

Irradiator (137C3)

Vacuumpump from vacuum system

Laboratory glass cleaning equipment

EXHIBIT C

FLOOR PLAN OF SUBLEASED PREMISES

FIRST AMENDMENT TO SUBLEASE AGREEMENT

This First Amendment ("Amendment") is dated for reference purposes April 13, 2001, and amends that certain Sublease Agreement dated March 30, 2001 (the "Sublease") made by and between F5 Networks, Inc., a Washington corporation, as Sublandlord, and Cell Therapeutics, Inc., a Washington corporation, as Subtenant. The capitalized terms in this Amendment shall have the meaning given to those same terms in the Sublease, unless a different meaning has been provided herein.

NOW, THEREFORE, the parties hereby amend the Sublease as follows:

1. Security Deposit. The Sublease is hereby amended by deleting the second to the last sentence of Section 7. Sublandlord will apply the balance of the Subtenant's cash security deposit in the amount of sixty-five thousand eight hundred sixty-four dollars and seventy-nine cents ($65,874.79) deposited under the Prior Sublease (as defined in Section 2 of the Sublease) against the Base Rent due for the first month of the Term.

2. Letter of Credit. The amount of the letter of credit to be posted by Subtenant pursuant to Section 7 of the Sublease is hereby amended to be six hundred seventy thousand dollars ($670,000).

3. Use of Subleased Premises. Section 8 of the Sublease is deleted in its entirety and replaced with the following:

Subtenant may use the Sublease Premises for laboratory uses of the types generally permitted by institutional landlords of similar buildings of multi-tenant developments in the Seattle area, provided that Subtenant shall comply with any special restrictions or precautions imposed by Master Landlord.

4. Alterations. Section 10 of the Sublease is amended by adding the following new paragraph at the end of that Section:

Master Landlord may (and is expected to) require Sublandlord to post or arrange for the posting of a Letter of Credit securing restoration obligations under the Master Lease if the Subleased Premises are materially altered from their current improved state and Master Landlord requires that Sublandlord remove any proposed alterations to be installed by Subtenant pursuant to the terms of the Master Lease and the Master Landlord's Consent referenced in Section 14 below (the "Restoration Deposit"). Subtenant shall post the Restoration Deposit directly with Master Landlord. Sublandlord shall have no obligation to post the Restoration Deposit

5. Conditions Precedent. Section 14 of the Sublease is hereby deleted in its entirety and replaced with the following:

This Sublease is conditioned upon Master Landlord consenting to this Sublease pursuant to the Landlord's Consent to Subleasing attached to this Amendment as Exhibit B (the "Master Landlord Consent"). If Master Landlord has not so consented to this Sublease within thirty (30) days after this Sublease has been signed by Sublandlord and Subtenant, then either party may terminate this Sublease by delivering written notice of termination to the other party.

6. Miscellaneous. In the event of any conflict between the terms of this Amendment and the Sublease, this Amendment shall control. The parties hereby ratify and confirm their obligations under the Sublease as amended by this Amendment. This Amendment, the Sublease, the exhibits attached to the Sublease and this Amendment, and the Master Lease constitute the entire agreement between Sublandlord and Subtenant with respect to the Subleased Premises, and may not be amended or altered except by written agreement executed by both parties. This Amendment may be executed in one or more counterparts; each signed counterpart shall be deemed an original and all counterparts together shall constitute a single, integrated agreement. Facsimile transmission of any signed original document, and retransmission of any signed facsimile transmission, shall be the same as delivery of an original. At the request of either party, the parties will confirm facsimile transmitted signatures by signing an original document.

IN WITNESS WHEREOF, the parties hereto hereby execute this Amendment as of day and year first above written.

SUBLANDLORD:	*SUBTENANT:*
F5 NETWORKS, INC., a Washington corporation	*CELL THERAPEUTICS, INC., a Washington corporation*
By: /s/ ROBERT CHAMBERLAIN	*By: /s/ JAMES BIANCO*
Name: Robert J. Chamberlain	*Name: James Bianco*
Title: SVP - CFO	*Title: President & CEO*

IRREVOCABLE STANDBY LETTER OF CREDIT NO.
DATED APRIL ___, 2001

[FINANCIAL INSTITUTION REASONABLY ACCEPTABLE TO SUBLANDLORD]

IRREVOCABLE STANDBY LETTER OF CREDIT NO.

DATE: April ___, 2001

BENEFICIARY:	401 Elliott West, LLC _____ Seattle, WA _____ Attn: Steve Koehler
APPLICANT:	Cell Therapeutics, Inc. 201 Elliott Avenue, Suite 400 Seattle, WA 98119 Attn: Dr. James Bianco
AMOUNT:	USD _____ (_____ US Dollars)
EXPIRY DATE:	April ___, 2002
LOCATION:	At our counter in Seattle, WA

Dear Sir:

We hereby establish our irrevocable standby letter of credit No. _____ in your favor. Available for payment by [name and address of financial institution] of Beneficiary's draft at sight drawn on us, and accompanied by the following documents:

1. The original of this letter of credit and all amendment(s) if any.

2. A signed and dated certification from the Beneficiary stating the following:

"(a) A Draw Event (as defined in the Landlord's Consent) has occurred under that certain Landlord's Consent between Applicant and Beneficiary (the "Landlord's Consent"); and

(b) This is to certify that Beneficiary will hold funds drawn under this letter of credit as provided in Landlord's Consent; or

(c) We hereby certify that this letter of credit is within thirty (30) days prior to its expiry date and has not been extended or replaced as required under the Landlord's Consent.

Special Condition:

1. It is a condition of this letter of credit that it will be deemed automatically renewed without an amendment for a period of one year from the present or each future expiration date unless at least thirty (30) days prior to such expiry date we notify you in writing by overnight courier (i.e. Federal Express, UPS, DHL, or any other express courier) or registered mail that we elect not to renew this letter of credit for such additional period.

In no event shall this letter of credit be automatically extended beyond
[insert date 60 days after expiration of Master Lease].

2. This letter of credit is transferable in whole but not in part only upon our receipt of the attached Exhibit "A" (transfer form) duly completed and executed by the Beneficiary together with this original letter of credit and all amendments if any (our transfer charges of $_____ are for Applicant's account).

3. Partial drawings are permitted.

All documents including draft(s) must indicate the number and date of this credit.

Each draft presented hereunder must be accompanied by this original letter of credit for our endorsement thereon of the amount of such draft (s).

Documents must be sent to us via overnight courier (i.e. Federal Express, UPS, DHL or any other express courier) at our address: [name and address of financial institution].

We hereby engage with drawers and/or bonafide holders that draft(s) drawn under and negotiated in conformance with the terms and conditions of the subject credit will be duly honored on presentation.

IRREVOCABLE STANDBY LETTER OF CREDIT NO.
DATED APRIL ___, 2001

This credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 revision), International Chamber of Commerce Publication 500.

AUTHORIZED SIGNATURE	AUTHORIZED SIGNATURE

[FINANCIAL INSTITUTION LETTERHEAD]

EXHIBIT "A"

DATE:

TO: [Name & address of financial RE: Standby Letter of Credit No. institution] Issued by [Financial Institution] L/C Amount: $

GENTLEMEN:

For value received, the undersigned Beneficiary hereby irrevocably transfer to:

(NAME OF TRANSFEREE)
(ADDRESS)

All rights of the undersigned Beneficiary to draw under the above letter of credit up to its available amount as shown above as of the date of this transfer.

By this transfer, all rights of the undersigned Beneficiary in such letter of credit are transferred to the transferee. Transferee shall have the sole rights as Beneficiary thereof, including sole rights relating to any amendments, whether increases or extensions or other amendments, and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned Beneficiary.

The original of such letter of credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof, and forward it direct to the transferee with your customary notice of transfer.

Sincerely,

(Beneficiary's Name)

Signature of Beneficiary

Signature Authenticated

(Name of Bank)

Authorized Signature