F5 NETWORKS INC

FORM S-1
(Securities Registration Statement)

Filed 9/9/1999

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CIK	0001048695
Industry	Computer Networks
Sector	Technology
Fiscal Year	09/30

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 9, 1999
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

F5 NETWORKS, INC.

(Exact name of registrant as specified in its charter)

WASHINGTON	3570	91-1714307
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

200 FIRST AVENUE WEST, SUITE 500
SEATTLE, WASHINGTON 98119
(206) 505-0800

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JOANN REITER
GENERAL COUNSEL AND SECRETARY
F5 NETWORKS, INC.
200 FIRST AVENUE WEST, SUITE 500
SEATTLE, WASHINGTON 98119
(206) 505-0800

(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement number for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE
Common Stock, no par value.....	2,300,000	$65.50	$150,650,000	$41,881

(1) Includes 300,000 shares which the underwriters have the option to purchase to cover over-allotments, if any.

(2) Determined in accordance with Rule 457(c) under the Securities Act of 1933, as amended, as the average of the bid and asked price of the common stock on the Nasdaq National Market on September 2, 1999.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT THAT SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED SEPTEMBER 9, 1999 THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED.

UNDERWRITERS MAY NOT CONFIRM SALES OF THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BECOMES EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS

2,000,000 SHARES

[LOGO]

COMMON STOCK

This is an offering of common stock by F5 Networks, Inc. Of the 2,000,000 shares of common stock being sold in this offering, 500,000 shares are being sold by F5 and 1,500,000 shares are being sold by the selling shareholders. F5 will not receive any of the proceeds from the sale of shares by the selling shareholders. Our common stock trades on the Nasdaq National Market under the symbol FFIV. On September 8, 1999, the last reported sale price of our common stock on the Nasdaq National Market was $69.50 per share. See "Market Price of the Common Stock."

	PER SHARE	TOTAL
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to F5, before expenses	$	$
Proceeds to the selling shareholders, before expenses	$	$

F5 and certain shareholders have granted the underwriters an option for a period of 30 days to purchase up to 300,000 additional shares of common stock.

INVESTING IN THE COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

HAMBRECHT & QUIST

BANCBOSTON ROBERTSON STEPHENS
BEAR, STEARNS & CO. INC.
DAIN RAUSCHER WESSELS A DIVISION OF DAIN

RAUSCHER INCORPORATED

September , 1999

EDGAR Artwork Descriptions

Inside Front Cover of Prospectus:

Caption 1:
Internet Quality Control

Caption 2:
Availability
Performance
Manageability

Graphic depicting F5 Networks logo surrounded by names and logos of its current products and product under development:

Upper left hand quadrant caption:
BIG/ip logo and name

Upper right hand quadrant caption:
3DNS logo and name

Lower left hand quadrant caption:
Global/SITE logo with caption "under development" underneath

Lower right hand quadrant caption:
see/IT logo and name

F5 Networks logo

Inside Gatefold:

Upper left hand corner:

F5 Networks logo

Title: Availability, performance and control for mission-critical Internet sites

Graphic depicting the role of the BIG/ip Controller, 3DNS Controller, see/IT Network Manager and global/SITE Controller in an organization's Internet-based environment. In the graphic, an organization's Internet and file servers are shown in multiple locations (Seattle, New York, London and Tokyo) with the F5 products placed between the Internet servers and the organization's routers. Dashed lines illustrate the interaction of the F5 products within the organization's network.

Caption 1 - upper left hand corner:
BIG/ip Controller name and logo
An intelligent load balancer for local area networks

Caption 2 - upper right hand corner
3DNS Controller name and logo
An intelligent load balancer for wide area networks

Caption 3 - lower right hand corner
See/IT Network Manager name and logo A traffic analysis and network management software application for BIG/ip and 3DNS

Caption 4 - lower left hand corner:
Global/SITE Controller name and logo with caption "Under Development" underneath
File replication and synchronization controller for managing content across geographically dispersed Internet sites

Inside Back Cover:

F5 Networks logo with the following words underneath:

F5 Networks, Inc. provides integrated Internet traffic management solutions designed to improve the availability and performance of mission-critical Internet-based servers and applications

TABLE OF CONTENTS

	PAGE
Prospectus Summary	4
Risk Factors	7
Forward Looking Statements	13
Use of Proceeds	14
Dividend Policy	14
Market Price of the Common Stock	14
Capitalization	15
Selected Financial Data	16
Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Business	26
Management	37
Certain Transactions	46
Principal and Selling Shareholders	48
Description of Capital Stock	50
Shares Eligible for Future Sale	53
Underwriting	55
Legal Matters	56
Experts	56
Additional F5 Information	56
Index to Financial Statements	F-1

Information contained on F5's Web site does not constitute part of this prospectus.

BIG/ip-Registered Trademark-, the F5 logo, and 3DNS-Registered Trademark- are registered United States trademarks of F5. This prospectus also contains trademarks and tradenames of other companies.

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. THIS SUMMARY MAY NOT CONTAIN ALL OF THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE INVESTING IN OUR COMMON STOCK. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, INCLUDING "RISK FACTORS" AND THE FINANCIAL STATEMENTS, BEFORE MAKING AN INVESTMENT DECISION.

F5 NETWORKS

F5 is a leading provider of integrated Internet traffic management solutions designed to improve the availability and performance of mission-critical Internet-based servers and applications. Our 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 products are designed to help prevent system failure and provide timely responses to user requests and data flow. Our BIG/ip-Registered Trademark- and 3DNS-Registered Trademark- Controllers, when combined with our see/IT-TM- Network Manager, help organizations optimize their network server availability and performance and cost-effectively manage their Internet infrastructure. Our solutions are used by organizations who rely on the Internet as a fundamental component of their business. Our customers include Internet service providers, such as Exodus Communications, Frontier GlobalCenter, PSINet, and MCI WorldCom, e-commerce companies and many other organizations that employ high-traffic Internet sites. We have sold our products to over 600 end-customers as of August 31, 1999.

The Internet has emerged as a critical commerce and communications platform for businesses and consumers worldwide. The growing use of the Internet is causing the complexity and volume of Internet traffic to increase dramatically. According to UUNet, Internet traffic doubles every 100 days. The widespread proliferation in the use and importance of the Internet has strained many organizations' network infrastructures. In response to dramatic increases in Internet use and traffic, organizations are expanding server capacity and are deploying redundant servers. According to IBM, servers are being connected to the Internet at a rate of 53,000 per month. While additional and redundant servers help address the rapidly increasing traffic, they also increase an organization's need for sophisticated Internet traffic management tools to manage the availability and performance of its servers and applications.

We believe that our products deliver Internet quality control by providing the following key benefits:

- HIGH SYSTEM AVAILABILITY. Our products help prevent system failure by quickly detecting server, application and network failures and directing traffic to functioning servers and applications.

- INCREASED PERFORMANCE. Our products intelligently direct user requests to the server with the fastest response time by monitoring server and application response time and verifying content.

- COST-EFFECTIVE SCALABILITY. Our products help optimize existing server capacity and allow the transparent addition of servers into an existing network.

- EASIER NETWORK MANAGEABILITY. Our products collect information that can be used to facilitate network management and planning from a central location.

- ENHANCED NETWORK CONTROL. Our products enable organizations to prioritize and manage network traffic based on user-defined criteria to meet their specific needs.

We plan to continue expanding our suite of products to provide complete, integrated Internet traffic management solutions that further optimize the availability and performance of network servers and applications. For example, we are currently developing our global/SITE-TM-Controller to ensure data integrity by automatically synchronizing content across local and geographically dispersed network servers. We also plan to continue investing significant resources to expand our direct sales force and further develop our indirect sales channels through leading industry resellers, original equipment manufacturers, systems integrators, Internet service providers and other channel partners. Finally, we intend to continue investing in our professional services group in order to provide the installation, training and support services required to help our customers optimize their use of our Internet traffic management solutions.

Our headquarters are located at 200 First Avenue West, Suite 500, Seattle, Washington 98119, our telephone number is (206) 505-0800 and our Web site address is www.F5.com.

THE OFFERING

Common stock offered by F5.....	500,000 shares
Common stock offered by the selling shareholders.....	1,500,000 shares
Common stock to be outstanding after this offering.....	18,626,667 shares (1)
Use of proceeds.....	For working capital and general corporate purposes. See "Use of Proceeds."
Nasdaq National Market symbol.....	FFIV

(1) The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of August 31, 1999 and does not include the following:

- 2,440,405 shares subject to options outstanding as of August 31, 1999 with a weighted average exercise price of $3.76 per share;

- 3,559,598 additional shares that could be issued under our stock option plans and stock purchase plan; and

- 2,212,500 shares that could be issued upon exercise of warrants outstanding as of August 31, 1999 with a weighted average exercise price of $0.75 per share.

ALL INFORMATION IN THIS PROSPECTUS RELATING TO OUTSTANDING SHARES OF F5 COMMON STOCK AND OPTIONS OR WARRANTS TO PURCHASE F5 COMMON STOCK IS BASED UPON INFORMATION AS OF AUGUST 31, 1999. UNLESS OTHERWISE INDICATED, THE INFORMATION THROUGHOUT THIS PROSPECTUS DOES NOT TAKE INTO ACCOUNT THE POSSIBLE ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK TO THE UNDERWRITERS PURSUANT TO THEIR OVER-ALLOTMENT OPTION.

PLEASE SEE "CAPITALIZATION" FOR A MORE COMPLETE DISCUSSION REGARDING THE OUTSTANDING SHARES OF F5 COMMON STOCK AND OPTIONS OR WARRANTS TO PURCHASE F5 COMMON STOCK AND OTHER RELATED MATTERS.

SUMMARY FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PERIOD FROM FEBRUARY 26, 1996 (INCEPTION) TO SEPTEMBER 30, 1996	FISCAL YEAR ENDED SEPTEMBER 30, 1997	FISCAL YEAR ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED JUNE 30, 1998 (UNAUDITED)	NINE MONTHS ENDED JUNE 30, 1999
STATEMENT OF OPERATIONS DATA:					
Net revenues	$ 2	$ 229	$ 4,889	$ 2,981	$ 14,063
Loss from operations	(348)	(1,428)	(3,668)	(2,277)	(6,864)
Net loss	$ (330)	$ (1,456)	$ (3,672)	$ (2,298)	$ (6,678)
Net loss per share--basic and diluted	$ (0.06)	$ (0.24)	$ (0.60)	$ (0.37)	$ (0.88)
Weighted average shares--basic and diluted (1)	5,932	6,000	6,086	6,135	7,582
Pro forma net loss per share (unaudited):					
Net loss per share--basic and diluted			$ (0.26)		$ (0.45)
Weighted average shares--basic and diluted (1)			14,201		14,923

	JUNE 30, 1999	
	ACTUAL	AS ADJUSTED (2)
BALANCE SHEET DATA:		
Cash and cash equivalents	$ 26,948	$ 59,510
Working capital	26,774	59,436
Total assets	36,486	69,148
Shareholders' equity	28,905	61,568

(1) See Note 2 of notes to financial statements for an explanation of the determination of the number of shares used in computing per share data.

(2) Adjusted to reflect the sale by F5 of 500,000 shares of common stock at an assumed public offering price of $69.50 per share and the application of the estimated net proceeds after deducting estimated underwriting discounts and commissions and our offering expenses. See "Use of Proceeds" and "Capitalization."

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AND ALL OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE PURCHASING OUR COMMON STOCK. INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. ANY OF THE FOLLOWING RISKS MAY SERIOUSLY HARM OUR BUSINESS AND RESULTS OF OPERATIONS AND MAY RESULT IN A COMPLETE LOSS OF YOUR INVESTMENT.

OUR LIMITED OPERATING HISTORY MAKES IT DIFFICULT TO EVALUATE OUR PROSPECTS.

We were founded in February 1996 and have a limited operating history, which makes an evaluation of our prospects difficult. Because of our limited operating history, we have limited insight into trends that may emerge and affect our business. In addition, the revenues and income potential of our business and market are unproven. An investor in our common stock must consider the challenges, expenses and difficulties we face as an early stage company in a new and rapidly evolving market.

OUR QUARTERLY OPERATING RESULTS ARE VOLATILE AND MAY CAUSE OUR STOCK PRICE TO FLUCTUATE.

Our quarterly operating results have varied significantly in the past and will vary significantly in the future, which makes it difficult for us to predict our future operating results. In particular, we anticipate that the size of customer orders may increase as we continue to focus on larger business accounts and sales to governmental entities. A delay in the recognition of revenue, even from just one account, may have a significant negative impact on our results of operations for a given period. In the past, a significant portion of our sales have been realized near the end of a quarter. Accordingly, a delay in an anticipated sale past the end of a particular quarter may negatively impact our results of operations for that quarter. Furthermore, we base our decisions regarding our operating expenses on anticipated revenue trends, and our expense levels are relatively fixed. Consequently, if revenue levels fall below our expectations, our net income (loss) will decrease (increase) because only a small portion of our expenses vary with our revenues. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We believe that period-to-period comparisons of our results of operations are not meaningful and should not be relied upon as indicators of future performance. Our operating results will likely be below the expectations of securities analysts and investors in some future quarter or quarters. Our failure to meet these expectations will likely seriously harm the market price of our common stock.

WE HAVE INCURRED LOSSES AND WE EXPECT TO INCUR SIGNIFICANT FUTURE OPERATING EXPENSES AND LOSSES.

We have experienced operating losses in each quarterly and annual period since inception. We incurred net losses of $330,000 for the period from February 26, 1996, inception, to September 30, 1996, $1.5 million for the year ended September 30, 1997, $3.7 million for the year ended September 30, 1998, and $6.7 million for the nine months ended June 30, 1999.

We intend to substantially increase our operating expenses. As a result, we will need to generate significant increases in our quarterly net revenues to achieve and maintain profitability. Although our net revenues have grown in recent quarters, we may not be able to sustain these growth rates or achieve or sustain profitability. Our failure to achieve and sustain profitability will seriously harm our business and results of operations. See "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

OUR SUCCESS DEPENDS ON SALES OF OUR BIG/IP-REGISTERED TRADEMARK- CONTROLLER.

We currently derive approximately 73% of our net revenues from sales of our BIG/ip Controller. In addition, we expect to derive a significant portion of our net revenues from sales of BIG/ip in the future. Implementation of our strategy depends upon BIG/ip being able to solve critical network availability and

performance problems of our customers. If BIG/ip is unable to solve these problems for our customers, our business and results of operations will be seriously harmed.

OUR SUCCESS DEPENDS ON OUR TIMELY DEVELOPMENT OF NEW PRODUCTS AND FEATURES.

We expect the Internet traffic management market to be characterized by rapid technological change, frequent new product introductions, changes in customer requirements and evolving industry standards. We are currently developing our global/SITE-TM- Controller and new features for our existing products. We expect to continue to develop new products and new product features in the future. If we fail to develop and deploy new products and new product features on a timely basis, our business and results of operations may be seriously harmed. See "Business--Product Development."

WE MAY NOT BE ABLE TO COMPETE EFFECTIVELY IN THE EMERGING INTERNET TRAFFIC

MANAGEMENT MARKET.

Our markets are new, rapidly evolving and highly competitive, and we expect competition to persist and intensify in the future. Our principal competitors in the Internet traffic management market include Cisco Systems, Alteon WebSystems, ArrowPoint Communications, HydraWeb Technologies, RadWare and Resonate. We expect to continue to face additional competition as new participants enter the Internet traffic management market. In addition, larger companies with significant resources, brand recognition and sales channels may form alliances with or acquire competing Internet traffic management solutions and emerge as significant competitors. Potential competitors may bundle their products or incorporate an Internet traffic management component into existing products in a manner that discourages users from purchasing our products. Potential customers may also choose to purchase additional servers instead of our products. See "Business--Competition."

WE MAY NOT BE ABLE TO SUPPORT OUR RAPID GROWTH EFFECTIVELY.

Since the introduction of our product line, we have experienced a period of rapid growth and expansion which has placed, and continues to place, a significant strain on all of our resources. From September 30, 1997 to August 31, 1999, we increased the number of our employees from 20 to 178. We expect our growth to continue to strain our management, operational and financial resources. For example, we may not be able to install adequate financial control systems in an efficient and timely manner, and our current or planned information systems, procedures and controls may be inadequate to support our future operations. The difficulties associated with installing and implementing new systems, procedures and controls may place a significant burden on our management and our internal resources. Our inability to manage growth effectively may seriously harm our business and results of operations.

OUR EXPANSION INTO INTERNATIONAL MARKETS MAY NOT SUCCEED.

We intend to expand into international markets. We have only limited experience in marketing, selling and supporting our products internationally. International sales represented 6.6% of our net revenues for the year ended September 30, 1997, 3.5% for the year ended September 30, 1998 and 7.1% for the nine months ended June 30, 1999. We have recently engaged sales personnel in the United Kingdom and in Germany. Our continued growth will require further expansion of our international operations in selected countries in the European and Asia Pacific markets. If we are unable to expand our international operations successfully and in a timely manner, our business and results of operations may be seriously harmed. Such expansion may be more difficult or take longer than we anticipate, and we may not be able to successfully market, sell, deliver and support our products internationally.

WE MAY NOT BE ABLE TO SUSTAIN OR DEVELOP NEW DISTRIBUTION RELATIONSHIPS.

Our sales strategy requires that we establish multiple distribution channels in the United States and internationally through leading industry resellers, original equipment manufacturers, systems integrators,

Internet service providers and other channel partners. We have a limited number of agreements with companies in these channels, and we may not be able to increase our number of distribution relationships or maintain our existing relationships. One of our resellers, Exodus Communications, Inc., accounted for 21.7% of our net revenues for the nine months ended June 30, 1999 and 29.4% of our accounts receivable balance at June 30, 1999. Our inability to effectively establish our indirect sales channels will seriously harm our business and results of operations.

OUR SUCCESS DEPENDS ON OUR ABILITY TO ATTRACT, TRAIN AND RETAIN QUALIFIED MARKETING AND SALES, PROFESSIONAL SERVICES AND CUSTOMER SUPPORT PERSONNEL.

Our products require a sophisticated marketing and sales effort targeted at several levels within a prospective customer's organization. We have recently expanded our sales force and plan to hire additional sales personnel for direct sales and to develop leads for our indirect sales channels. Competition for qualified sales personnel is intense, and we might not be able to hire the kind and number of sales personnel we are targeting. Our inability to retain and hire qualified sales personnel may seriously harm our business and results of operations.

We currently have a small professional services and customer support organization and will need to increase our staff to support new customers and the expanding needs of existing customers. The installation of Internet traffic management solutions, the integration of these solutions into existing networks and the ongoing support can be complex. Accordingly, we need highly-trained professional services and customer support personnel. Hiring professional services and customer support personnel is very competitive in our industry due to the limited number of people available with the necessary technical skills and understanding of our products. Our inability to attract, train or retain the number of highly qualified professional services and customer support personnel that our business needs may seriously harm our business and results of operations.

WE DEPEND ON OUR KEY PERSONNEL AND THE LOSS OF ANY KEY PERSONNEL MAY HARM OUR BUSINESS AND RESULTS OF OPERATIONS.

Our success depends to a significant degree upon the continued contributions of our key management, product development, sales and marketing and finance personnel, many of whom will be difficult to replace. In particular, we rely on our President and Chief Executive Officer, Jeffrey Hussey. The loss of services of any of our key personnel, especially the services of Mr. Hussey, may seriously harm our business and results of operations. We do not have employment contracts with any of our key personnel.

IT IS DIFFICULT TO PREDICT OUR FUTURE OPERATING RESULTS BECAUSE WE HAVE AN UNPREDICTABLE SALES CYCLE.

We are unable to predict our sales cycle because we have limited experience selling our products. Historically, our sales cycle has ranged from approximately two to three months. Sales of BIG/ip, 3DNS and our see/IT-TM- Network Manager require us to educate potential customers on their use and benefits. The sale of our products is subject to delays from the lengthy internal budgeting, approval and competitive evaluation processes that large corporations and governmental entities may require. For example, customers frequently begin by evaluating our products on a limited basis and devote time and resources to testing our products before they decide whether or not to purchase. Customers may also defer orders as a result of anticipated releases of new products or enhancements by us or our competitors. As a result, our products have an unpredictable sales cycle that contributes to the uncertainty of our future operating results.

THE AVERAGE SELLING PRICES OF OUR PRODUCTS MAY DECREASE, WHICH MAY NEGATIVELY IMPACT GROSS PROFITS.

We anticipate that the average selling prices of our products will decrease in the future in response to competitive pricing pressures, increased sales discounts, new product introductions by us or our competitors or other factors. Therefore, in order to maintain our gross profits, we must develop and introduce new products and product enhancements on a timely basis and continually reduce our product costs. Our failure to do so will cause our net revenue and gross profits to decline, which will seriously harm our business and results of operations. In addition, we may experience substantial period-to-period fluctuations in future operating results due to the erosion of our average selling prices.

OUR BUSINESS MAY BE HARMED IF OUR CONTRACT MANUFACTURERS ARE NOT ABLE TO PROVIDE US WITH ADEQUATE SUPPLIES OF OUR PRODUCTS.

We rely on third party contract manufacturers to assemble our products. We outsource the manufacturing of our pre-configured, industry-standard hardware platforms to primarily two contract manufacturers, Micro Standard Distributors and Unisoft, who assemble these hardware platforms to our specifications. The inability of our contract manufacturers to provide us with adequate supplies of our products or the loss of one or more of our contract manufacturers may cause a delay in our ability to fulfill orders while we obtain a replacement manufacturer and may seriously harm our business and results of operations.

If the demand for our products grows, we will need to increase our material purchases, contract manufacturing capacity and internal test and quality functions. Any disruptions in product flow may limit our revenue, may seriously harm our competitive position and may result in additional costs or cancellation of orders by our customers. See "Business--Manufacturing."

OUR BUSINESS COULD SUFFER IF THERE ARE ANY INTERRUPTIONS OR DELAYS IN THE SUPPLY OF HARDWARE COMPONENTS FROM OUR THIRD-PARTY SOURCES.

We currently purchase several hardware components used in the assembly of our products from limited sources. Lead times for these components vary significantly. Any interruption or delay in the supply of any of these hardware components, or the inability to procure a similar component from alternate sources at acceptable prices within a reasonable time, will seriously harm our business and results of operations. See "Business--Manufacturing."

UNDETECTED SOFTWARE ERRORS MAY SERIOUSLY HARM OUR BUSINESS AND RESULTS OF OPERATIONS.

Software products frequently contain undetected errors when first introduced or as new versions are released. We have experienced these errors in the past in connection with new products and product upgrades. We expect that these errors will be found from time to time in new or enhanced products after commencement of commercial shipments. These problems may cause us to incur significant warranty and repair costs, divert the attention of our engineering personnel from our product development efforts and cause significant customer relations problems. We may also be subject to liability claims for damages related to product errors. While we carry insurance policies covering this type of liability, these policies may not provide sufficient protection should a claim be asserted. A material product liability claim may seriously harm our business and results of operations.

Our products must successfully operate with products from other vendors. As a result, when problems occur in a network, it may be difficult to identify the source of the problem. The occurrence of software errors, whether caused by our products or another vendor's products, may result in the delay or loss of market acceptance of our products. The occurrence of any of these problems may seriously harm our business and results of operations.

WE MAY NOT ADEQUATELY PROTECT OUR INTELLECTUAL PROPERTY AND OUR PRODUCTS MAY INFRINGE ON THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

We rely on a combination of copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our products is difficult, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. In addition, we have not entered into non-competition agreements with several of our former employees.

From time to time, third parties may assert patent, copyright, trademark and other intellectual property rights claims or initiate litigation against us or our contract manufacturers, suppliers or customers with respect to existing or future products. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business and results of operations may be seriously harmed. See "Business--Intellectual Property."

OUR FAILURE AND THE FAILURE OF OUR KEY SUPPLIERS, MANUFACTURERS AND CUSTOMERS TO BE YEAR 2000 COMPLIANT MAY NEGATIVELY IMPACT OUR BUSINESS AND RESULTS OF OPERATIONS.

The Year 2000 computer issue creates a significant risk for us in at least four areas:

- potential warranty or other claims arising from our products;

- systems we use to run our business;

- systems used by our suppliers and contract manufacturers; and

- the potential reduced spending by other companies on Internet traffic management solutions as a result of significant information systems spending on Year 2000 remediation or to limit additional changes to their systems during the current year.

A failure in any of these areas to be Year 2000 compliant may seriously harm our operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Year 2000 Compliance."

LAWS RELATING TO ENCRYPTED SOFTWARE MAY LIMIT THE MARKETABILITY OF OUR PRODUCTS.

The encryption technology contained in our products is subject to United States export controls. These export controls limit our ability to distribute encrypted software outside of the United States and Canada. While we take precautions against unlawful exportation, this exportation inadvertently may have occurred in the past or may occur from time to time in the future, subjecting us to potential liability and serious harm. We may also encounter difficulties competing with non-United States producers of products containing encrypted software, who may both import their products into the United States and sell products overseas.

WE MAY NEED TO RAISE ADDITIONAL FUNDS, WHICH MAY NOT BE AVAILABLE.

We expect that the net proceeds from this offering, our existing cash balances and cash from operations will be sufficient to meet our currently anticipated working capital and capital expenditure needs for the foreseeable future. If currently unforeseen events arise, such as a product or technology acquisition paid for with cash, we may need to raise additional funds, and additional financing may not be available on favorable terms, if at all. Further, if we issue additional equity securities, shareholders may experience dilution, and the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If we cannot raise funds, if needed, on acceptable terms,

we may not be able to develop new products or enhance our existing products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. This may seriously harm our business and results of operations. See "Use of Proceeds," "Dilution" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

OUR EXISTING SHAREHOLDERS WILL BE ABLE TO EXERCISE SIGNIFICANT CONTROL OVER ALL MATTERS REQUIRING SHAREHOLDER APPROVAL.

On completion of this offering, executive officers, directors and their affiliates and 5% shareholders will beneficially own, in the aggregate, approximately 60.8% of our outstanding common stock. As a result, these shareholders will be able to exercise significant control over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions, which may have the effect of delaying or preventing a third party from acquiring control over us. See "Principal and Selling Shareholders."

WE ARE AT RISK OF SECURITIES CLASS ACTION LITIGATION DUE TO OUR EXPECTED STOCK PRICE VOLATILITY.

An active public market price for our common stock may not be maintained in the future. The market price of our common stock has fluctuated and may continue to fluctuate significantly in response to a number of factors, some of which are beyond our control. See "Market Price of the Common Stock." In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We may in the future be the target of similar litigation. Securities litigation may result in substantial costs and divert management's attention and resources, which may seriously harm our business and results of operations.

WE HAVE IMPLEMENTED ANTI-TAKEOVER PROVISIONS THAT COULD DELAY OR PREVENT A CHANGE IN CONTROL OF F5.

Provisions of our articles of incorporation and bylaws, as well as provisions of Washington law, may make it more difficult for a third party to acquire us, even if doing so would be beneficial to our shareholders. See "Description of Capital Stock."

SUBSTANTIAL SALES OF SHARES MAY IMPACT THE MARKET PRICE OF OUR COMMON STOCK.

If our shareholders sell substantial amounts of our common stock, including shares issued upon the exercise of outstanding options and warrants, the market price of our common stock may fall. Such sales might also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. After completion of this offering, we will have outstanding 18,626,667 shares of common stock, assuming no exercise of outstanding options or warrants after August 31, 1999. See "Shares Eligible for Future Sale" and "Underwriting."

WE MAY SPEND THE OFFERING PROCEEDS IN WAYS WITH WHICH OUR SHAREHOLDERS MAY NOT AGREE.

The majority of the net proceeds to the Company of this offering are not allocated for specific uses and our management can spend most of the proceeds from this offering in ways with which our shareholders may not agree. We cannot predict that the proceeds will be invested to yield a favorable return. See "Use of Proceeds."

FORWARD LOOKING STATEMENTS

Certain statements under the captions "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," and elsewhere in this prospectus are "forward-looking statements." These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in the prospectus that are not historical facts. When used in this prospectus, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed under "Risk Factors."

USE OF PROCEEDS

We expect to receive approximately $32,662,500 of net proceeds from the sale of 500,000 shares of common stock, assuming a public offering price of $69.50 per share after deducting underwriting commissions and discounts of $1,737,500 and estimated expenses of $350,000. We will not receive any proceeds from the sale of common stock by the selling shareholders.

We intend to use the proceeds of this offering for working capital and general corporate purposes, including increased expenditures for sales and marketing, research and development and professional services and technical support. We may also use some of the proceeds for strategic acquisitions of products and technologies that will complement or extend our existing Internet traffic management solutions, although we are not currently planning any of these transactions. Pending these uses, we intend to invest the net proceeds of this offering in investment grade interest-bearing securities. We will retain broad discretion in the allocation and use of the net proceeds of this offering. See "Risk Factors--We may spend the offering proceeds in ways with which our shareholders may not agree."

DIVIDEND POLICY

F5 has never declared or paid any cash dividends on shares of its common stock. We intend to retain any future earnings for future growth and do not anticipate paying any cash dividends in the foreseeable future.

MARKET PRICE OF THE COMMON STOCK

Our common stock began trading on the Nasdaq Stock Market's National Market System on June 4, 1999 under the symbol FFIV. Prior to that time, there had been no market for our common stock. The table below sets forth the high and low closing sale prices for our common stock for the periods indicated:

1999	HIGH	LOW
June 4 - June 30	$ 45.13	$ 14.88
July 1 - September 8	$ 85.00	$ 27.75

The last reported sale price of our common stock on September 8, 1999 was $69.50.

CAPITALIZATION

The following table sets forth the capitalization of F5 as of June 30, 1999
(1) on an actual basis, and (2) on a pro forma basis as adjusted to reflect, our receipt of the estimated net proceeds from the sale of 500,000 shares of common stock offered by us at the assumed offering price of $69.50 per share.

The capitalization information set forth in the table below is qualified by, and should be read in conjunction with, the more detailed financial statements and notes of F5 appearing elsewhere in this prospectus.

	JUNE 30, 1999	
	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)	
Shareholders' equity:		
Common stock: no par value, 100,000,000 shares authorized, 18,108,185 issued and outstanding, actual; 100,000,000 shares authorized, 18,608,185 issued and outstanding, as adjusted	$ 45,751	$ 78,414
Note receivable from shareholder	(750)	(750)
Unearned compensation	(3,960)	(3,960)
Accumulated deficit	(12,136)	(12,136)
Total shareholders' equity	$ 28,905	$ 61,568

This capitalization table excludes the following shares:

- 2,369,262 shares subject to options outstanding as of June 30, 1999 with a weighted average exercise price of $1.50 per share;

- 2,730,179 additional shares that could be issued under our stock option plans and stock purchase plan, and

- 2,212,500 shares that could be issued upon exercise of warrants outstanding as of June 30, 1999 with a weighted average exercise price of $0.75 per share.

SELECTED FINANCIAL DATA

The selected statement of operations data for the period February 26, 1996, inception, to September 30, 1996, and for the years ended September 30, 1997 and 1998 and for the nine months ended June 30, 1999 and the balance sheet data at September 30, 1997 and 1998 and June 30, 1999 are derived from the financial statements of F5, which have been audited by PricewaterhouseCoopers LLP, independent accountants, and included elsewhere in this prospectus. The balance sheet data at September 30, 1996 has been derived from the financial statements of F5 which has been audited by PricewaterhouseCoopers LLP. The financial data for the period ended June 30, 1998 is unaudited, but has been prepared on a basis consistent with the audited financial statements of F5 and the notes thereto and include all adjustments (constituting only normal recurring adjustments) which F5 considered necessary for a fair presentation of the information. The results of operations for the nine months ended June 30, 1999 are not necessarily indicative of results to be expected for the year or for any future periods. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the notes thereto included elsewhere in this prospectus (in thousands, except per share data).

	PERIOD FROM FEB. 26, 1996 (INCEPTION) TO SEPT. 30, 1996	FISCAL YEAR ENDED SEPTEMBER 30,		NINE MONTHS ENDED JUNE 30,	
		1997	1998	1998	1999
				(UNAUDITED)	
STATEMENT OF OPERATIONS DATA:					
Net revenues:					
Products	$ 2	$ 229	$ 4,119	$ 2,537	$ 11,872
Services	--	--	770	444	2,190
Total net revenues	2	229	4,889	2,981	14,062
Cost of net revenues:					
Products	1	71	1,091	694	3,085
Services	--	--	314	171	976
Total cost of net revenues	1	71	1,405	865	4,061
Gross profit	1	158	3,484	2,116	10,001
Operating expenses:					
Sales and marketing	62	565	3,881	2,439	9,113
Research and development	103	569	1,810	1,059	3,810
General and administrative	180	383	1,041	690	2,145
Amortization of unearned compensation	4	69	420	205	1,797
Total operating expenses	349	1,586	7,152	4,393	16,865
Loss from operations	(348)	(1,428)	(3,668)	(2,277)	(6,864)
Interest income (expense), net	18	(28)	(4)	(21)	186
Net loss	$ (330)	$ (1,456)	$ (3,672)	$ (2,298)	$ (6,678)
Net loss per share--basic and diluted	$ (0.06)	$ (0.24)	$ (0.60)	$ (0.37)	$ (0.88)
Weighted average shares--basic and diluted	5,932	6,000	6,086	6,135	7,582
Pro forma net loss per share (unaudited):					
Net loss per share--basic and diluted			$ (0.26)		$ (0.45)
Weighted average shares--basic and diluted			14,201		14,923

	SEPTEMBER 30,			JUNE 30,
	1996	1997	1998	1999
BALANCE SHEET DATA:				
Cash and cash equivalents	$ 624	$ 143	$ 6,206	$ 26,948
Working capital (deficit)	617	(317)	6,763	26,774
Total assets	817	919	9,432	36,486
Long-term obligations	29	216	--	--
Redeemable convertible preferred stock	--	--	7,688	--
Shareholders' equity (deficit)	737	(231)	(80)	28,905

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 THAT INVOLVE RISKS AND UNCERTAINTIES, SUCH AS OUR PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. 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," "BUSINESS" AND ELSEWHERE IN THIS PROSPECTUS.

OVERVIEW

F5 is a leading provider of integrated Internet traffic management solutions designed to improve the availability and performance of mission-critical Internet-based servers and applications. We were incorporated on February 26, 1996 and began operations in April 1996. During the period from February 26, 1996 through September 30, 1996, we were a development stage enterprise and had no product revenues. Our operating activities during this period related primarily to developing our initial product, recruiting personnel, building our corporate infrastructure and raising capital.

In July 1997, we released our first version of our BIG/ip-Registered Trademark- Controller, and began to expand our operations. We increased our investments in research and development, marketing programs, domestic and international sales channels, customer support and services and our general and administrative infrastructure. Since June 30, 1997, we have:

- hired more than 150 employees;

- hired sales representatives in eight domestic locations;

- hired professional services and customer support personnel in eight domestic locations;

- released several upgrades to BIG/ip;

- released two new products, our 3DNS-Registered Trademark- Controller and our see/IT-TM- Network Manager;

- engaged sales representatives in the European and Asia Pacific markets; and

- established a distributor relationship with one international reseller.

Our net revenues grew from $229,000 for the year ended September 30, 1997 to $4.9 million for the year ended September 30, 1998, and were $14.1 million for the nine months ended June 30, 1999. Currently, we derive approximately 73% of our revenues from sales of BIG/ip. One of our resellers, Exodus Communications, accounted for 21.7% of our net revenues for the nine months ended June 30, 1999 and 29.4% of our accounts receivable balance at June 30, 1999. In addition, we expect to derive a significant portion of our net revenues from sales of BIG/ip in the future.

Net revenues derived from customers located outside of the United States were $15,000 in 1997, $172,000 in 1998 and $1.0 million for the nine months ended June 30, 1999. We plan to expand our international operations significantly, particularly in selected countries in the European and Asia Pacific markets, because we believe international markets represent a significant growth opportunity. The expansion of our international operations will be subject to a variety of risks that could significantly harm our business and results of operations.

Customers who purchase BIG/ip or 3DNS receive installation services and an initial customer support contract, typically covering a 12-month period. Customers may also purchase consulting services and renew their initial customer support contract. As of June 30, 1999, approximately 80% of our customers have renewed their initial customer support contract. Based on our limited operating history, it is difficult to predict what our rate of renewals will be in the future. 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 when the individual elements are sold separately. Revenues from the license of software are recognized when the product has been shipped and the customer is obligated to pay for the product. 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 term. Consulting services are customarily billed at fixed rates, plus out-of-pocket expenses. Our ordinary payment terms to our customers are net 30 days, but we have extended payment terms beyond net 30 days to some customers. Estimated sales returns are based on historical experience by product and are recorded at the time revenues are recognized.

We have incurred losses since our inception, and as of June 30, 1999, had an accumulated deficit of $12.1 million. Our success in growing net revenues depends on increasing our customer base and expanding our product line as well as continued growth of the emerging Internet traffic management market. Accordingly, we intend to continue to invest heavily in sales and marketing, promotion of the F5 brand, customer service and support, research and development, operating infrastructure and general and administrative staff to support our growth. As a result of these investments, we expect that our operating expenses will increase significantly and that we will continue to incur substantial operating losses for the foreseeable future. To achieve and maintain profitability we will need to increase our net revenues significantly. Although we have experienced rapid growth in net revenues in recent periods, we may not be able to sustain these growth rates or achieve or sustain profitability.

We have recorded a total of $6.2 million of unearned compensation costs since our inception through June 30, 1999. 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 over the vesting period of the options and have recorded unearned compensation charges of $69,000 and $420,000 for the years ended September 30, 1997 and 1998, respectively, and $205,000 and $1.8 million for the nine months ended June 30, 1998 and 1999, respectively.

We expect to recognize amortization expense related to unearned compensation of approximately $700,000 in the quarter ended September 30, 1999, $1.8 million, $961,000 and $408,000 during the years ended September 30, 2000, 2001 and 2002, respectively. We cannot guarantee, however, that we will not accrue additional unearned compensation costs in the future or that our current estimate of these costs will prove accurate, either of which events could seriously harm our business and results of operations.

In view of the rapidly changing nature of our business and our limited operating history, we believe that period-to-period comparisons of net revenues and operating results are not necessarily meaningful and should not be relied upon as indications of future performance. This is particularly true of companies such as ours that operate in new and rapidly evolving markets.

RESULTS OF OPERATIONS

The following table sets forth certain financial data as a percentage of total net revenues for the periods indicated. Data for the period from inception, February 26, 1996, to September 30, 1996, are not presented because we did not have product revenues during that period. Further, we believe amounts from February 26, 1996 through September 30, 1996 are not comparable to the year ended September 30, 1997

due to different lengths of the respective periods and the rapid acceleration of our activities and related expenses throughout the 1997 period.

	YEAR ENDED SEPTEMBER 30,		NINE MONTHS ENDED JUNE 30,	
	1997	1998	1998	1999
			(UNAUDITED)	
STATEMENT OF OPERATIONS DATA:				
Net revenues:				
Products	100.0%	84.3%	85.1%	84.4%
Services	--	15.7	14.9	15.6
Total net revenues	100.0	100.0	100.0	100.0
Cost of net revenues:				
Products	31.0	22.3	23.3	21.9
Services	--	6.4	5.7	7.0
Total cost of net revenues	31.0	28.7	29.0	28.9
Gross margin	69.0	71.3	71.0	71.1
Operating expenses:				
Sales and marketing	246.8	79.4	81.8	64.8
Research and development	248.5	37.0	35.5	27.1
General and administrative	167.2	21.3	23.1	15.3
Amortization of unearned compensation	30.1	8.6	6.9	12.8
Total operating expenses	692.6	146.3	147.3	120.0
Loss from operations	(623.6)	(75.0)	(76.3)	(48.9)
Interest income (expense), net	(12.2)	(0.1)	(0.7)	1.3
Net loss	(635.8)%	(75.1)%	(77.0)%	(47.6)%

NINE MONTHS ENDED JUNE 30, 1998 (UNAUDITED) AND 1999

Net Revenues:

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

PRODUCT REVENUES. Product revenues increased by 368.0% from $2.5 million for the nine months ended June 30, 1998 to $11.9 million for the nine months ended June 30, 1999. This increase in product revenues was due primarily to an increase in the quantity of our products sold through our sales direct and indirect channels including the sales of our new products.

SERVICE REVENUES. Service revenues increased by 393.2% from $444,000 for the nine months ended June 30, 1998 to $2.2 million for the nine months ended June 30, 1999. This increase was due primarily to an increase in the installed base of our products which resulted in increased revenues from service and support contracts.

As our net revenue base increases, we do not believe we can sustain percentage growth rates of net revenues that we have experienced historically.

Cost of Net Revenues:

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

COST OF PRODUCT REVENUES. Cost of product revenues increased 344.5%, from $694,000 for the nine months ended June 30, 1998 to $3.1 million for the nine months ended June 30, 1999. Cost of product revenues decreased as a percent of product revenues from 27.4% for the nine months ended June 30, 1998, to 26.0% for the nine months ended June 30, 1999. The increase in absolute dollars was due primarily to an increase in product revenues. The decrease in cost of product revenues as a percentage of product revenues was the result of higher utilization of manufacturing operations, including increased economies of scale achieved from an increase in production.

COST OF SERVICE REVENUES. Cost of service revenues increased 470.8%, from $171,000 for the nine months ended June 30, 1998 to $976,000 for the nine months ended June 30, 1999. Cost of service revenues increased as a percent of service revenues from 38.5% for the nine months ended June 30, 1998 to 44.6% for the nine months ended June 30, 1999. The increases in cost of service revenues in absolute dollars and as a percent of service revenues was due primarily to increases in service and support personnel.

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 273.6%, from $2.4 million for the nine months ended June 30, 1998 to $9.1 million for the nine months ended June 30, 1999. This increase was due to an increase in sales and marketing personnel and professional services personnel from 17 to 67, and increased advertising and promotional activities. We expect to increase sales and marketing expenses in order to grow net revenues and expand our brand awareness.

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 259.8%, from $1.1 million for the nine months ended June 30, 1998 to $3.8 million for the nine months ended June 30, 1999. This increase was due to an increase in product development personnel from 21 to
54. Our future success is dependent in 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, 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 210.9% from $690,000 for the nine months ended June 30, 1998 to $2.1 million for the nine months ended June 30, 1999. This increase was due primarily to an increase in general and administrative personnel from 20 to 30. We expect general and administrative expenses to increase as we expand our staff, further develop our internal information systems and incur costs associated with being a publicly held company.

UNEARNED COMPENSATION. We recorded unearned compensation charges of $205,000 and $1.8 million for the nine months ended June 30, 1998 and 1999, respectively. See Note 8 of notes to our financial statements.

INTEREST INCOME (EXPENSE) NET. Interest income consists of earnings on our cash and cash equivalent balances offset by interest expense associated with debt obligations. Net interest expense was $21,000 for

the nine months ended June 30, 1998 compared to net interest income of $186,000 for the nine months ended June 30, 1999. This increase was due primarily to the investment of the proceeds received from the initial public offering in June 1999.

INCOME TAXES. There was no provision for federal or state income taxes for any period as we have incurred operating losses since inception. As of June 30, 1999, we had approximately $8.8 million of net operating loss carryforwards for federal income tax purposes. Utilization of the net operating loss carryforwards may be subject to annual limitations due to the ownership change limitations contained in the Internal Revenue Code of 1986 and similar state provisions. Annual limitations may result in the expiration of the net operating losses before we can utilize them. The federal net operating loss carryforwards will expire at various dates beginning in 2011 through 2018 if we do not use them. See Note 5 of notes to our financial statements.

YEARS ENDED SEPTEMBER 30, 1997 AND 1998

Net Revenues:

PRODUCT REVENUES. Product revenues increased by 1,698.7% from $229,000 in 1997 to $4.1 million in 1998. This increase was due primarily to an increase in the quantity of our products sold.

SERVICE REVENUES. There were no service revenues in 1997 because the initial product sales during that period did not include a service and support contract. Beginning in fiscal year 1998, our products included a service and support contract. Service revenues were $770,000 in 1998. This increase in service revenues was due to an increase in the installed base of our products which included a service and support contract.

Cost of Net Revenues:

COST OF PRODUCT REVENUES. Cost of product revenues increased by 1,436.6% from $71,000 in 1997 to $1.1 million in 1998. This increase was due primarily to the increase in our products sold. Cost of product revenues as a percentage of net revenues decreased from 31.0% to 26.5% due to a decrease in direct product costs including costs of manufacturing personnel as a percentage of revenue.

COST OF SERVICE REVENUES. Cost of service revenues was $314,000 in 1998. Cost of service revenues as a percent of service revenues was 40.8% in 1998. We expect that the cost of service revenues will fluctuate in the future based on the rate of increase in service and support personnel compared with increases in service revenues.

SALES AND MARKETING. Our sales and marketing expenses increased by 586.9%, from $565,000 in 1997 to $3.9 million in 1998. This increase was due primarily to investing in our sales and marketing infrastructure, both domestically and internationally. These investments included an increase in our sales and marketing and professional services personnel from 7 to 37, recruiting fees, travel expenses, and increased marketing activities, including advertising, trade shows and other promotional expenses. Sales and marketing expenses decreased from 246.8% of net revenues in 1997 to 79.4% of net revenues in 1998. This percentage decrease was due primarily to our net revenues growing faster than our sales and marketing expenses.

RESEARCH AND DEVELOPMENT. Our research and development expenses increased by 218.1% from $569,000 in 1997 to $1.8 million in 1998. This increase was due primarily to an increase in our software engineers and other technical staff from 9 to 27. Research and development expenses decreased from 248.5% of our net revenues in 1997 to 37.0% of our net revenues in 1998. This percentage decrease was due primarily to our net revenues growing faster than our research and development expenses.

GENERAL AND ADMINISTRATIVE. Our general and administrative expenses increased by 171.8% from $383,000 in 1997 to $1.0 million in 1998. This increase was due primarily to an increase in general and administrative personnel from 4 to 16. General and administrative costs decreased from 167.2% of our net revenues in 1997 to 21.3% of our net revenues in 1998. This percentage decrease was due primarily to our net revenues growing faster than our general and administrative expenses.

INTEREST INCOME (EXPENSE), NET. Net interest expense was $28,000 in 1997 compared to net interest expense of $4,000 in 1998. This decrease was due primarily to increased interest earned on cash and cash equivalents received from the sale of our preferred stock in August 1998.

QUARTERLY RESULTS OF OPERATIONS

The following tables present our unaudited quarterly results of operations for the seven quarters ended June 30, 1999 in dollars and as a percentage of net revenues. You should read the following tables in conjunction with our financial statements and related notes in this prospectus. We have prepared this unaudited information on the same basis as the audited financial statements. These tables include all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of our operating results for the quarters presented. You should not draw any conclusions about our future results from the results of operations for any quarter.

	THREE MONTHS ENDED						
	DEC. 31, 1997	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MARCH 31, 1999	JUNE 30, 1999
				(IN THOUSANDS) (UNAUDITED)			
Net revenues:							
Products	$ 742	$ 866	$ 929	$ 1,582	$ 2,282	$3,146	$ 6,444
Services	100	129	215	326	413	616	1,161
Total net revenues	842	995	1,144	1,908	2,695	3,762	7,605
Cost of net revenues:							
Products	201	202	291	397	624	825	1,636
Services	9	47	115	143	196	384	396
Total cost of net revenues	210	249	406	540	820	1,209	2,032
Gross profit	632	746	738	1,368	1,875	2,553	5,573
Operating expenses:							
Sales and marketing	555	787	1,097	1,442	2,216	2,887	4,010
Research and development	194	340	525	751	1,020	1,324	1,466
General and administrative	202	236	252	351	525	666	954
Amortization of unearned compensation	31	60	114	215	368	670	759
Total operating expenses	982	1,423	1,988	2,759	4,129	5,547	7,189
Loss from operations	(350)	(677)	(1,250)	(1,391)	(2,254)	(2,994)	(1,616)
Interest income (expense), net	(23)	4	(2)	17	58	31	97
Net loss	$(373)	$ (673)	$(1,252)	$(1,374)	$(2,196)	$(2,963)	$(1,519)

	THREE MONTHS ENDED						
	DEC. 31, 1997	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MARCH 31, 1999	JUNE 30, 1999
				(UNAUDITED)			
Net revenues:							
Products	88.1%	87.0%	81.2%	82.9%	84.7%	83.6%	84.7%
Services	11.9	13.0	18.8	17.1	15.3	16.4	15.3
Total net revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of net revenues:							
Products	23.9	20.3	25.4	20.8	23.1	21.9	21.5
Services	1.0	4.7	10.1	7.5	7.3	10.2	5.2
Total cost of net revenues	24.9	25.0	35.5	28.3	30.4	32.1	26.7
Gross margin	75.1	75.0	64.5	71.7	69.6	67.9	73.3
Operating expenses:							
Sales and marketing	65.9	79.1	95.9	75.5	82.2	76.7	52.7
Research and development	23.0	34.2	45.9	39.4	37.8	35.2	19.3
General and administrative	24.0	23.7	22.0	18.4	19.5	17.8	12.5
Amortization of unearned compensation	3.7	6.0	10.0	11.3	13.7	17.8	10.0
Total operating expenses	116.6	143.0	173.8	144.6	153.2	147.5	94.5
Loss from operations	(41.5)	(68.0)	(109.3)	(72.9)	(83.6)	(79.6)	(21.2)
Interest income (expense), net	(2.8)	0.4	(0.1)	0.9	2.1	0.8	1.3
Net loss	(44.3)%	(67.6)%	(109.4)%	(72.0)%	(81.5)%	(78.8)%	(19.9)%

Our quarterly operating results have fluctuated significantly and we expect that future operating results will be subject to similar fluctuations for a variety of factors, many of which are substantially outside our control. See "Risk Factors--Our quarterly operating results are volatile and future operating results remain uncertain."

LIQUIDITY AND CAPITAL RESOURCES

From our inception through May 1999, we financed our operations and capital expenditures primarily through the sale of approximately $12.4 million in equity securities. In June 1999 we completed an initial public offering of 2,860,000 shares of common stock and raised approximately $25 million, net of offering costs.

As of June 30, 1999, we had a $2.0 million working capital line of credit with a lender. At June 30, 1999, there were no borrowings outstanding under this line of credit. This line of credit was not renewed when it expired on August 31, 1999.

Cash used in our operating activities was $1.7 million for the nine months ended June 30, 1998, and $3.9 million for the nine months ended June 30, 1999. These net cash outflows resulted from operating losses as well as increases in accounts receivable due to increased sales and other current assets and were partially offset by increases in accounts payable, accrued liabilities and deferred revenues. The Company anticipates that in the future it will offer financing to certain resellers. To the extent such financing is offered cash used in operating activities will increase to fund the increase in outstanding accounts receivables.

Cash used in investing activities was $580,000 for the nine months ended June 30, 1998 and $1.5 million for the nine months ended June 30, 1999, substantially all of which was used for the purchase

of property and equipment. We expect capital expenditures to continue to increase through the end of 1999, due to the costs of expansion and expenditures for information systems and test equipment.

As of June 30, 1999, our principal commitment consisted of obligations outstanding under operating leases. In March 1999 we agreed to lease approximately 20,000 square feet in a facility located in Seattle, Washington for a term of 60 months. In July 1999, we agreed to lease an additional 8,000 square feet in a facility located in Seattle, Washington, for a term of 84 months. The annual cost of these leases is approximately $561,000, subject to annual adjustments. We have also signed a lease for approximately 84,000 square feet of new office space in Seattle, Washington in a building which is currently under construction. This lease will commence on approximately July 1, 2000 with a term of 12 years. The annual cost of this lease is approximately $2,000,000, subject to annual adjustments plus expenses. Our obligation under the lease is collateralized by a secured letter of credit in the amount of $2.5 million. Although we have no other material commitments, we anticipate a substantial increase in our capital expenditures and lease commitments consistent with anticipated growth in our operations, infrastructure and personnel. In the future we may also require a larger inventory of products in order to provide better availability to customers and achieve purchasing efficiencies. We expect that the net proceeds from this offering, our existing cash balances and cash from operations will be sufficient to meet our currently anticipated working capital and capital expenditures for the foreseeable future.

MARKET RISK DISCLOSURES

We do not hold derivative financial instruments or equity securities in our investment portfolio. 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.

RECENT ACCOUNTING PRONOUNCEMENTS

As of October 1, 1998 we adopted Financial Accounting Standards Board Statement No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and displaying comprehensive income and its components in a full set of general-purpose financial statements. We had no material components of comprehensive income. The adoption of this statement has had no impact on our financial position, shareholders' equity (deficit), results of operations or cash flows. Accordingly, our comprehensive loss for the nine months ended June 30, 1999 is equal to our reported loss.

Additionally, the Financial Accounting Standards Board issued Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for the way business enterprises report information in annual statements and interim financial reports regarding operating segments, products and services, geographic areas and major customers. This statement is effective for financial statements for fiscal years beginning after December 15, 1997. The adoption of this statement did not have a material impact on the way we report information in our financial statements.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1 ("SOP 98-1"), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which establishes guidelines for the accounting for the costs of all computer software developed or obtained for internal use. We are required to adopt SOP 98-1 for the fiscal year beginning in October 1999. Our adoption of SOP 98-1 is not expected to have a material impact on our financial statements.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133 of Financial Accounting Standards, "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 a 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. We do not use derivative instruments, therefore the adoption of this statement will not have any effect on our results of operations or financial position.

YEAR 2000 COMPLIANCE

BACKGROUND OF YEAR 2000 ISSUES. Many currently installed computer and communications systems and software products are unable to distinguish 21(st) century dates from 20(th) century dates. This situation could result in system failures or miscalculations causing business disruptions. As a result, many companies' software and computer and communications systems may need to be upgraded or replaced to become Year 2000 compliant.

OUR PRODUCT TESTING AND LICENSING. We have tested all of our current products for Year 2000 compliance. We derived our testing method from our review and analysis of the Year 2000 testing practices of other software vendors, relevant industry Year 2000 compliance standards and the specific functionality and operating environments of our products. The tests are run on all supported platforms for each current release of our product and include testing for date calculations and internal storage of date information with test numbers starting in 1999 and going beyond the Year 2000. Based on these tests, we believe our products to be Year 2000 compliant with respect to date calculations and internal storage of date information.

CUSTOMER CLAIMS. We may be subject to customer claims to the extent our products fail to operate properly as a result of the occurrence of the date January 1, 2000. Liability may result to the extent our products are not able to store, display, calculate, compute and otherwise process date-related data. We could also be subject to claims based on the failure of our products to work with software or hardware from other vendors.

OUR EXTERNAL VENDORS. We periodically verify Year 2000 compliance by external vendors that supply us with material software and information systems and communicate with our significant suppliers to determine their Year 2000 readiness. As part of our assessment, we periodically evaluate the level of validation we require of third parties to ensure their Year 2000 readiness. To date, we have not encountered any material Year 2000 problems with software and information systems provided to us by third parties.

OUR INTERNAL SYSTEMS. We periodically review our internal management information and other systems to identify any products, services or systems that may not be Year 2000 compliant and to take corrective action when required. To date, we have not encountered any material Year 2000 problems with our computer systems or any other equipment that might be subject to such problems.

COSTS OF ADDRESSING YEAR 2000 COMPLIANCE. Based on our preliminary evaluations, we do not believe we will incur significant expenses or be required to invest heavily in computer system improvements to be Year 2000 compliant. We do not believe the cost of remediation for Year 2000 non-compliance issues identified to date will exceed $50,000. However, significant uncertainty exists concerning the potential costs and effects associated with Year 2000 compliance. Any Year 2000 compliance problem experienced by us or our customers could decrease demand for our products which could seriously harm our business and results of operations.

CONTINGENCY PLANNING. We are formulating a contingency plan at this time and expect to have specific contingency plans in place prior to November 30, 1999.

BUSINESS

THE FOLLOWING BUSINESS SECTION CONTAINS FORWARD-LOOKING STATEMENTS RELATING TO FUTURE EVENTS OR THE FUTURE FINANCIAL PERFORMANCE OF F5, WHICH INVOLVE RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS 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 ELSEWHERE IN THIS PROSPECTUS.

OVERVIEW

F5 is a leading provider of integrated Internet traffic management solutions designed to improve the availability and performance of mission-critical Internet-based servers and applications. Our 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 products are designed to help prevent system failure and provide timely responses to user requests and data flow. Our BIG/ip-Registered Trademark- and 3DNS-Registered Trademark- Controllers, when combined with our see/IT-TM- Network Manager, help organizations optimize their network server availability and performance and cost-effectively manage their Internet infrastructure. Our solutions are used by organizations who rely on the Internet as a fundamental component of their business. Our customers include Internet service providers, such as Exodus Communications, Frontier GlobalCenter, PSINet, and MCI WorldCom, e-commerce companies and many other organizations that employ high-traffic Internet sites. We have sold our products to over 600 end-customers as of August 31, 1999.

INDUSTRY BACKGROUND

The Internet has emerged as a critical commerce and communications platform for businesses and consumers worldwide. International Data Corporation estimates that there were approximately 100 million Internet users at the end of 1998 and anticipates this number will grow to approximately 320 million by 2002. This dramatic growth in the number of Internet users coupled with the increased availability of powerful new tools and equipment that enable the development, processing and distribution of data across the Internet have led to a proliferation of Internet-based applications and services, such as e-commerce, e-mail, electronic file transfers and online interactive applications. At the same time that the number of users of, and uses for, the Internet has increased significantly, the complexity and volume of Internet traffic has increased dramatically. According to UUNet, Internet traffic doubles every 100 days.

As a result of the Internet's growing popularity and capabilities, numerous businesses have come to rely on it as a fundamental commerce and communications tool. For example, a growing number of organizations, such as Web hosting and e-commerce companies, rely primarily on the Internet to transact business. In addition, many businesses are using the Internet to deploy mission-critical business applications in browser-based intranet and extranet computing environments. Failure to deliver the expected availability and performance for these Internet-based applications can result in a significant cost to the organization.

This widespread proliferation in the use and importance of the Internet has strained many organizations' network infrastructures. In order to support the dramatic increases in Internet use and traffic, many organizations have aggressively expanded network server capacity. According to IBM, servers are being connected to the Internet at a rate of 53,000 per month. Network infrastructures are further strained by unpredictable traffic, the complexity of the network environment and the increased variety of data, including multimedia components and video clips. In this environment, organizations often deploy multiple servers in a group, or array, which contains individual application-specific servers or redundant servers that operate together as a virtual large server. Server arrays can reduce single points of failure and be a cost-effective way to increase the potential capacity of the system by providing the flexibility to add additional servers to the array as needed. The practice of geographically dispersing server arrays to help prevent system failure and direct traffic more efficiently is also a growing trend.

While additional servers, redundant server configurations and geographically dispersed server sites help address an organization's rapidly increasing traffic, they also increase the organization's need for sophisticated Internet traffic management tools to help manage the availability and performance of its servers and applications. For optimal server array performance, intelligent devices are required to direct traffic and synchronize content across local and geographically dispersed servers. These intelligent devices, or load balancers, identify which server, whether local or remote, is best able to handle user requests.

Most currently available Internet traffic management products are extensions to hardware-based routers, which lack the robust functionality required to support current mission-critical Internet-based servers and applications. These products are typically not designed to address application availability, nor do they meet the manageability and scalability required by organizations who depend on the Internet as a fundamental commerce and communications tool. As a result, we believe that traditional traffic management products do not adequately address the need to manage traffic flows and ensure the availability of mission-critical servers and applications in the rapidly changing Internet environment.

F5 SOLUTION

We develop, market and support cost-effective, integrated Internet traffic management solutions designed to ensure that mission-critical Internet-based servers and applications are continuously available and perform reliably. Our products monitor and manage locally and geographically dispersed servers and intelligently direct traffic to the server best able to handle the user request. We believe that our products deliver Internet quality control by providing the following key benefits:

HIGH SYSTEM AVAILABILITY. Our integrated suite of products works with servers deployed in a redundant server array over a local or wide area network to enhance network performance and reduce single points of failure. Our solutions continuously monitor network performance to enable real-time detection of server, application and content degradation or failure. Based on this information, our solutions automatically direct user requests to functioning servers and applications. Our products also enable network administrators to deploy new servers and take individual servers offline for routine maintenance without disrupting service to end users.

INCREASED PERFORMANCE. Our products provide a significant performance improvement over other current approaches. Our solutions monitor server and application response time and verify content. This information is used to intelligently direct user requests to the server with the fastest response time. By intelligently allocating traffic throughout the network, our solutions reduce server overload conditions that may cause performance degradation.

COST-EFFECTIVE SCALABILITY. Our solutions enable more efficient utilization of existing server capacity by intelligently allocating traffic among servers. This capability allows organizations to optimize the capacity of existing servers and, as traffic volume dictates, cost-effectively expand server capacity through incremental additions of relatively low cost servers rather than upgrading to larger, more expensive servers. Our solutions can be used with multiple heterogeneous hardware platforms, allowing organizations to protect their investments in their legacy hardware installations as well as integrate future hardware investments.

EASIER NETWORK MANAGEABILITY. Our products collect information that can be used to facilitate network management and planning from a central location. Leveraging our products' strategic location in the network, our solutions collect data that is crucial for traffic analysis and apply proprietary trend and analysis tools that synthesize this data so that network managers can forecast network requirements more accurately. In addition, we are in the process of developing solutions to automatically synchronize content across remote locations, thereby helping to ensure users access to the same content regardless of server location.

ENHANCED NETWORK CONTROL. Our solutions enable organizations to prioritize and arrange network traffic based on user-defined criteria to meet their specific needs. For example, our products may be

configured to utilize the most cost-efficient communication links or, alternatively, to achieve the most rapid response time.

STRATEGY

Our objective is to be the leading provider of integrated Internet traffic management solutions designed to optimize network server availability and performance. Key components of our strategy include:

OFFER A COMPLETE INTERNET TRAFFIC MANAGEMENT SOLUTION. We plan to continue expanding our existing suite of products to provide a complete Internet traffic management solution that further optimizes the availability and performance of network servers and applications. To support this objective, we have recently introduced our see/IT-TM- Network Manager that communicates with our BIG/ip and 3DNS Controllers to enable real-time network monitoring and pro-active network management. Furthermore, we are currently developing our global/SITE-TM- Controller that is designed to ensure data integrity by automatically synchronizing content across local and geographically dispersed network servers. To further support our suite of products, we intend to continue to invest in our professional services group to provide the installation, training and support services required to help our customers optimize their use of our Internet traffic management solutions.

INVEST IN TECHNOLOGY TO CONTINUE TO MEET CUSTOMER NEEDS. We plan to continue to invest in research and development to provide our customers with complete Internet traffic management solutions that meet their needs. Our current technology platform has been designed to quickly and easily expand the features and functionalities of our suite of products as well as develop additional products that address the complex and changing needs of our customers. We are also in the process of developing specialized software modules that will allow our customers to purchase products with specific features based on their specific requirements.

EXPAND SALES CHANNELS AND GEOGRAPHIC SCOPE OF SALES. We plan to invest significant resources to expand our direct sales force and further develop our indirect sales channels. In addition to maintaining a strong direct sales force, we plan to expand our indirect sales channels through leading industry resellers, original equipment manufacturers, systems integrators, Internet service providers and other channel partners. Furthermore, we plan to expand sales of our Internet traffic management solutions to government entities. We also plan to aggressively develop our direct and indirect international sales capabilities, particularly in selected countries in the European and Asia Pacific markets.

BUILD AND EXPAND RELATIONSHIPS WITH STRATEGIC PARTNERS. We plan to capitalize on products, technologies and channels that may be available through partners. We currently have an OEM relationship with Cabletron and a licensing agreement for our BIG/ip load-balancing technology with Extreme Networks. We continue to seek relationships with partners that will enable us to increase the market opportunity for our products and technologies.

LEVERAGE OUR MARKET LEADERSHIP TO CONTINUE TO BUILD THE F5 BRAND. We plan to continue building brand awareness that positions us as one of the leading providers of Internet traffic management solutions. Our goal is for the F5 brand to be synonymous with superior network performance, high quality customer service and ease of use. To achieve these objectives, we plan to increase our investments in a broad range of marketing programs, including active tradeshow participation, advertising in print publications, direct marketing, high-profile Web events and our Internet site.

PURSUE STRATEGIC ACQUISITIONS. We may selectively pursue strategic acquisitions for products and technologies that will complement or expand our existing Internet traffic management solutions.

PRODUCTS AND TECHNOLOGY

We have developed BIG/ip, 3DNS and see/IT-TM- as a suite of Internet traffic management products that facilitate high performance, high availability and scalable access to network server arrays located at a single site or across multiple, geographically dispersed sites. Our suite of products helps to ensure that Web servers can respond to ever-increasing Internet traffic. The following is a summary of our products currently available and under development:

PRODUCT NAME	DESCRIPTION	INTRODUCTION DATE
BIG/ip-Registered Trademark-Controller	Intelligent load balancer for local area networks	July 1997
3DNS-Registered Trademark-Controller	Intelligent load balancer for wide area networks	September 1998
see/IT-TM- Network Manager	Traffic analysis and network management software application for BIG/ip and 3DNS	April 1999
global/SITE-TM- Controller	File replication and synchronization controller for managing content across geographically dispersed Internet sites	Under development

BIG/IP CONTROLLER. BIG/ip is an intelligent load balancer consisting of our proprietary software, which we load on a pre-configured, industry-standard hardware platform. Situated between a network's routers and server array, BIG/ip continuously monitors the array of local servers to ensure application availability and performance and automatically directs user requests to the server best able to handle these requests. By quickly detecting application, server and network failures and directing service toward those servers and applications that are functioning properly, BIG/ip is designed to help prevent system failure and provide timely responses to user requests and data flow. BIG/ip offers a comprehensive choice of load-balancing algorithms that enables an organization to choose a load-balancing configuration that best suits its particular needs. Additionally, BIG/ip actively queries and checks content received from applications, thereby helping to ensure the quality of Web content. Thus, if a server and application are responding to users' requests with incorrect content, BIG/ip redirects requests to those servers and applications that are responding properly.

BIG/ip is compatible with any system that uses the standard Internet communication method, also known as Internet protocol or IP, and can operate with multiple, heterogeneous hardware platforms. This enables organizations to leverage their existing infrastructure without limiting their options to meet future network needs. BIG/ip supports a wide variety of network protocols, including Web, e-mail, audio, video, database and file transfer protocol, which is the standard method of transfering files over the Internet. BIG/ip also manages traffic for network devices such as firewalls that prevent unauthorized access to a network system, cache servers that store frequently accessed Web content and multimedia servers, to help provide reliable content availability for end users. BIG/ip's ability to intelligently distribute traffic across server arrays reduces the need for increasingly larger and more expensive servers to accommodate increases in network traffic. This configuration also reduces the single point of failure inherent with a single large server and allows for the orderly addition of new servers or the routine maintenance or upgrades of servers without disrupting service to the end user. A typical configuration of redundant BIG/ip Controllers located between the server array and network is shown below.

[ILLUSTRATION]

Illustration of redundant BIG/ip Controllers sitting between an organization's server array and network

Additional BIG/ip features include:

- SECURE SOCKETS LAYER SESSION PERSISTENCE enables server arrays to support e-commerce and other applications in a secure, cost-effective and scalable environment.

- SECURE SERVER PROTECTION protects against unauthorized use of the network server array.

- RATE SHAPING allows priority levels to be assigned to specific types of traffic.

- PACKET FILTERING enables content providers to direct network traffic to servers based on user-definable criteria for increased network security and performance.

- BIG/CONFIG, a simple point-and-click browser-based installation and configuration tool, facilitates remote monitoring and administration of the network in a secure environment.

3DNS CONTROLLER. 3DNS is an intelligent load balancer that manages and distributes user requests across wide area networks. 3DNS consists of our proprietary software, which we load on a pre-configured, industry-standard hardware platform. Like BIG/ip, 3DNS functions with multiple heterogeneous hardware platforms and supports a wide variety of network protocols, including Web, e-mail, audio, video, database and file transfer protocol, and manages traffic for network devices such as firewalls, cache servers and multimedia servers.

When an end-user request is received from a local domain name server or DNS, 3DNS collects network information and communicates with each BIG/ip in the network to determine the server array with the fastest response time. 3DNS then sends the request to the BIG/ip at this server array, and the BIG/ip then directs the request to the individual server best able to handle it. Although organizations can deploy a single 3DNS in their network configuration, multiple 3DNS Controllers are often deployed within the network to provide redundancy to help ensure network availability and performance for end users. A typical 3DNS configuration is shown below:

[ILLUSTRATION]

MANAGEMENT

THE FOLLOWING TABLE SETS FORTH CERTAIN INFORMATION WITH RESPECT TO OUR EXECUTIVE OFFICERS AND DIRECTORS AS OF AUGUST 31, 1999:

EXECUTIVE OFFICERS AND DIRECTORS

NAME	AGE	POSITION
Jeffrey S. Hussey	38	Chairman of the Board, Chief Executive Officer and President
Robert J. Chamberlain	46	Vice President of Finance, Chief Financial Officer and Treasurer
Steven Goldman	39	Senior Vice President of Sales, Marketing and Services
Brett L. Helsel	39	Vice President of Product Development and Chief Technology Officer
Carlton G. Amdahl (1)	47	Director
Karl D. Guelich (1)(2)	57	Director
Alan J. Higginson (2)	52	Director
Sonja L. Hoel (2)	33	Director
Kent L. Johnson (3)	56	Director

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

(3) Mr. Johnson has tendered his resignation as a director, effective October 5, 1999.

JEFFREY S. HUSSEY co-founded F5 in February 1996 and has been our Chairman, Chief Executive Officer and President since that time. From February 1996 to March 1999, Mr. Hussey also served as our Treasurer. From July 1995 to February 1996, Mr. Hussey served as Vice President of Alexander Hutton Capital L.L.C., an investment banking firm. From September 1993 to July 1995, Mr. Hussey served as President of Pacific Comlink, an inter-exchange carrier providing frame relay and Internet access services to the Pacific Rim, which he founded in September 1993. Mr. Hussey holds a B.A. in Finance from Seattle Pacific University and an M.B.A. from the University of Washington.

ROBERT J. CHAMBERLAIN has served as our Vice President of Finance, Chief Financial Officer and Treasurer since March 1999. From September 1998 to February 1999, Mr. Chamberlain served as Senior Vice President and Chief Financial Officer of Yesler Software, an early stage company developing a personal multimedia web communication product. From February 1998 to July 1998, Mr. Chamberlain served as Co-President of Photodisc, a provider of digital imagery, which merged with Getty Images Inc. in February 1998. From May 1997 to February 1998, Mr. Chamberlain served as Senior Vice President and Chief Financial Officer of Photodisc. From April 1996 to May 1997, Mr. Chamberlain served as Executive Vice President and Chief Financial Officer of Midcom Communications Inc., a telecommunications service provider. From January 1992 to December 1995, Mr. Chamberlain served as Vice President Finance and Operations of ElseWare Corporation, a font technology company. From July 1989 to April 1991, Mr. Chamberlain was an audit partner in the high technology practice of KPMG Peat Marwick, and was employed by KPMG Peat Marwick since January 1980. Mr. Chamberlain holds a B.S. in Business Administration and Accounting from California State University, Northridge.

STEVEN GOLDMAN has served as our Vice President of Sales and Marketing since July 1997 and our Senior Vice President of Sales, Marketing and Services since July 1999. From December 1996 to February 1997, Mr. Goldman served as Vice President, Enterprise Sales and Services, for Microtest, Inc., a network test equipment and CD ROM server company, after its acquisition of Logicraft. From March 1995 to December 1996, Mr. Goldman served as Executive Vice President, North American Operations, for

Logicraft, a CD ROM server company, after its merger with Virtual Microsytems, a CD ROM server company. From 1990 to March 1995, Mr. Goldman served as Vice President of Sales for Virtual Microsystems. Mr. Goldman holds a B.A. in Economics from the University of California at Berkeley.

BRETT L. HELSEL has served as our Vice President of Product Development and Chief Technology Officer since May 1998. From April to May 1998, Mr. Helsel served as our Vice President of Advanced Product Architecture. From March 1997 to March 1998, Mr. Helsel served as Vice President, Product Development, for Cybersafe, Inc., a provider of enterprise-wide network security solutions. From April 1994 to October 1997, Mr. Helsel served as Site Development Manager for Wall Data, a host connectivity software company. Mr. Helsel holds a B.S. in Geophysics and Oceanography from the Florida Institute of Technology.

CARLTON G. AMDAHL has served as one of our directors since May 1998. Mr. Amdahl operates Amdahl Associates, a consulting firm specializing in technology management, product strategy and system architecture. Mr. Amdahl has served as President of Network Caching Technology L.L.C., a network caching company, since February 1999 and as President and Chief Executive Officer of Inca Technology, a network caching company, since October 1997. From 1985 to January 1996, Mr. Amdahl served as Chairman of the board of directors and Chief Technical Officer of NetFRAME Systems, a high performance network server company, which he founded in 1985. Mr. Amdahl is a Stanford University Sloan Fellow and holds a B.S. degree in Electrical Engineering and Computer Science from the University of California, Berkeley and an M.S. in Management from Stanford University.

KARL D. GUELICH has served as one of our directors since June 1999. Mr. Guelich has been in private practice as a certified public accountant since his retirement from Ernst & Young in 1993, where he served as the Area Managing Partner for the Pacific Northwest offices headquartered in Seattle from October 1986 to November 1992. Mr. Guelich holds a B.S. degree in Accounting from Arizona State University.

ALAN J. HIGGINSON has served as one of our directors since May 1996. From November 1995 to November 1998, Mr. Higginson served as President of Atrieva Corporation, a provider of advanced data backup and retrieval technology. From May 1990 to November 1995, Mr. Higginson served as Executive Vice President of Worldwide Sales and Marketing for Sierra On-line, a developer of multimedia software for the home personal computer market. From May 1990 to November 1995, Mr. Higginson served as President of Sierra On-line's Bright Star division, a developer of educational software. Mr. Higginson holds a B.S. in Commerce and an M.B.A. from the University of Santa Clara.

SONJA L. HOEL has served as one of our directors since August 1998. Ms. Hoel has been a managing director and general partner of Menlo Ventures, a venture capital firm, since July 1996 and has been employed by Menlo Ventures since July 1994. From August 1993 to April 1994, Ms. Hoel was an associate at the Edison Venture Fund, a venture capital firm. From December 1991 to June 1993, Ms. Hoel served as a business development consultant at Symantec Corporation, a consumer software applications company, and from January 1989 to June 1991, served as an investment analyst at TA Associates, a venture capital firm. Ms. Hoel holds a B.S. in Commerce from the University of Virginia and an M.B.A from the Harvard Business School.

KENT L. JOHNSON has served as one of our directors since May 1996. Mr. Johnson has tendered his resignation as a director of F5, effective October 5, 1999. Mr. Johnson is President of Alexander Hutton Capital, L.L.C., which he co-founded in August 1994. From April 1989 to May 1994, Mr. Johnson served as Senior Vice President and Chief Operating Officer of Brazier Forest Industries, a forest products company. Mr. Johnson is also a director of Timeline, Inc., a software company. Mr. Johnson holds a B.A. in Business Administration from the University of Washington and an M.B.A. from Seattle University.

Our executive officers are appointed by the board of directors and serve until their successors are elected or appointed.

There are no family relationships among any of our directors or executive officers.

BOARD COMPOSITION

We have authorized a range of directors from five to nine. In accordance with the terms of our amended articles of incorporation, the terms of office of the board of directors is divided into three classes:

- Class I directors, whose term expires at the annual meeting of shareholders to be held in 2000;

- Class II directors, whose term expires at the annual meeting of shareholders to be held in 2001; and

- Class III directors, whose term expires at the annual meeting of shareholders to be held in 2002.

Our Class I directors are Mr. Guelich and Ms. Hoel, our Class II directors are Messrs. Higginson and Johnson, and our Class III directors are Messrs. Amdahl and Hussey. At each annual meeting of shareholders after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management of F5.

BOARD COMMITTEES

- AUDIT COMMITTEE. Our audit committee, consisting of Mr. Amdahl and Mr. Guelich, reviews our internal accounting procedures and consults with and reviews the services provided by our independent auditors.

- COMPENSATION COMMITTEE. Our compensation committee, consisting of Ms. Hoel and Messrs. Higginson and Guelich, reviews and recommends to the board of directors the compensation and benefits of all our officers and establishes and reviews general policies relating to compensation and benefits of our employees. Mr. Hussey, who acts as a plan administrator for our 1998 Equity Incentive Plan, authorizes stock option grants for employees other than officer and director level employees within ranges pre-approved by the board of directors.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

DIRECTOR COMPENSATION

Directors currently receive no cash compensation from F5 for their services as members of the board of directors. They are reimbursed for certain expenses in connection with attendance at board and committee meetings. From time to time, certain non-employee directors have received grants of options to purchase shares of our common stock. In May 1996, Messrs. Higginson and Johnson each were granted an option to purchase 84,000 shares of our common stock at an exercise price of $0.50 per share. In May 1998, Mr. Amdahl was granted an option to purchase 84,000 shares of our common stock at an exercise price of $0.50 per share. Eligible non-employee directors receive automatic option grants under our 1999 Non-Employee Directors' Option Plan at the fair market value of our common stock on the date of grant. In June, 1999, Mr. Guelich was granted an option under this plan to purchase 5,000 shares of our common stock at an exercise price of $18.00 per share. See "--Equity Incentive Plans--Amended and Restated Directors' Nonqualified Stock Option Plan" and "--1999 Non-Employee Directors' Option Plan."

EXECUTIVE COMPENSATION

The table below sets forth the compensation paid by us during the fiscal year ended September 30, 1998 to (a) our President and Chief Executive Officer and (b) our only other executive officer other than the Chief Executive Officer whose salary and bonus for fiscal 1998 exceeded $100,000 and who served as an executive officer of F5 during the fiscal year ended September 30, 1998.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION		ALL OTHER COMPENSATION
	SALARY	BONUS	
Jeffrey S. Hussey..... President and Chief Executive Officer	$ 128,749	$ 3,196	--
Steven Goldman..... Senior Vice President of Sales, Marketing and Services	120,000	5,000	$ 46,444(1)

(1) Represents commissions paid to Mr. Goldman in fiscal 1998.

OPTION GRANTS IN LAST FISCAL YEAR

We did not grant any options to the executive officers shown in the Summary Compensation Table above in fiscal 1998.

FISCAL YEAR-END OPTION VALUES

The following table sets forth for the executive officers shown in the Summary Compensation Table the aggregate dollar value realized upon exercise of stock options in the last fiscal year and number and value of securities underlying unexercised options held at September 30, 1998.

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($) (1)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT SEPTEMBER 30, 1998		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT SEPTEMBER 30, 1998 ($) (1)	
			EXERCISABLE (#)	UNEXERCISABLE (#)	EXERCISABLE ($)	UNEXERCISABLE ($)
Jeffrey S. Hussey.....	--	--	--	--	--	--
Steven Goldman....	59,250	$ 589,538	--	177,750(2)	--	$1,768,613

(1) Based on the initial public offering price of $10.00 per share less the exercise price, multiplied by the number of shares underlying the option.

(2) These options vest 25% on each of the first, second, third and fourth anniversary of the grant date. These options will vest fully if we are acquired in a merger or asset sale. All of these options have a ten-year term.

INCENTIVE STOCK PLANS

1998 EQUITY INCENTIVE PLAN. Our board of directors adopted our 1998 Equity Incentive Plan on October 22, 1998, and our shareholders approved it on November 12, 1998. We initially reserved a total of 800,000 shares for issuance under the plan. In April 1999 we reserved an additional 1,500,000 shares for issuance under the plan and the shareholders approved it in May, 1999. The plan provides for grants of incentive stock options that qualify under Section 422 of the Internal Revenue Code of 1986, as amended, to employees, including officers, of F5 or any affiliate of F5, and nonstatutory stock options, restricted stock purchase awards, and stock bonuses to employees, including officers, or directors of and consultants to F5 or any affiliate of F5. The board or a committee appointed by the board administers the plan. Our

board has the authority to determine which recipients and what types of awards are to be granted, including the exercise price, number of shares subject to the award and the exercisability of the awards.

The term of a stock option granted under the plan generally may not exceed 10 years. The board of directors determines the exercise price of options granted under the plan. However, in the case of an incentive stock option, the exercise price cannot be less than 100% of the fair market value of our common stock on the date of grant and, in the case of a nonstatutory stock option, the exercise price cannot be less than 50% of the fair market value of our common stock on the date of grant. Options granted under the plan vest at the rate specified in the option agreement. Except as expressly provided by the terms of a nonstatutory stock option agreement, an optionee may not transfer options other than by will or the laws of descent or distribution, provided that an optionee may designate a beneficiary who may exercise the option following the optionee's death. An optionee whose relationship with us or any related corporation ceases for any reason, except by death or permanent and total disability, generally may exercise vested options up to three months following cessation. Vested options may generally be exercised for up to 12 months after an optionee's relationship with F5 or any affiliate of F5 ceases due to disability and for generally up to 18 months after the relationship with F5 or any affiliate of F5 ceases due to death. However, options may terminate or expire sooner or later as may be determined by the board and set forth in the option agreement.

No incentive stock option may be granted to any person who, at the time of the grant, owns, or is deemed to own, stock possessing more than 10% of the total combined voting power of F5 or any affiliate of F5, unless the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and the term of the option does not exceed five years from the date of grant. In addition, the aggregate fair market value, determined at the time of grant, of the shares of our common stock with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year under the plan and all other stock plans of F5 and its affiliates may not exceed $100,000. The options, or portions of the options, which exceed this limit are treated as nonstatutory options.

No person may be granted options under the plan covering an aggregate of more than 200,000 shares of our common stock in any calendar year.

Shares subject to stock awards that have lapsed or terminated, without having been exercised in full, may again become available for the grant of awards under the plan.

Restricted stock purchase awards granted under the plan may be granted pursuant to a repurchase option in our favor in accordance with a vesting schedule determined by the board. The purchase price of these awards will be at least 50% of the fair market value of our common stock on the date of grant. Stock bonuses may be awarded in consideration for past services. Rights under a stock bonus or restricted stock purchase agreement may not be transferred other than by will or by the laws of descent and distribution unless the stock bonus or restricted stock purchase agreement specifically provides for transferability.

Upon certain changes in control of F5 as provided under the plan, the surviving entity will either assume or substitute all outstanding stock awards under the plan. If the surviving entity determines not to assume or substitute these awards, then with respect to persons whose service with F5 or an affiliate of F5 has not terminated before the change in control, the vesting of 50% of these stock awards (and the time during which these awards may be exercised) will accelerate and the awards terminated if not exercised before the change in control.

As of August 31, 1999, we had issued 169,291 shares upon the exercise of options granted under the plan and options to purchase 687,765 shares were outstanding with 1,442,944 shares reserved for future grants or purchases under the plan. The plan will terminate on October 21, 2008, unless terminated sooner by the board.

AMENDED AND RESTATED 1996 STOCK OPTION PLAN. Our board of directors adopted the Amended and Restated 1996 Stock Option Plan on December 2, 1996, and our shareholders approved it on January 28,

1997. We have reserved a total of 2,600,000 shares for issuance under the plan, less any shares issuable upon the exercise of options granted under the Amended and Restated Directors' Nonqualified Stock Option Plan. The plan provides for grants of incentive stock options that qualify under Section 422 of the Internal Revenue Code to employees, including officers and employee directors, of F5 or any affiliate of F5 and nonstatutory stock options to employees, consultants and other persons selected by the board. The board or a committee appointed by the board administers the plan. The board has the authority to determine which recipients and what types of options are to be granted, including the exercise price, number of shares subject to the option and the exercisability of the options.

The term of a stock option granted under the plan generally may not exceed 10 years. The exercise price of incentive stock options and non-statutory stock options granted under the plan following the offering, will not be less than 100% of the fair market value of our common stock on the date of grant. Options granted under the plan vest at the rate specified in the option agreement, provided that options will vest as to 25% of the underlying shares each year following the date of grant if vesting is not specified in the option agreement. An optionee may not transfer any options other than by will or the laws of descent or distribution. If an optionee's service terminates due to death or disability, then any option held by this optionee who F5 or an affiliate of F5 has continuously employed for two years will automatically become fully vested and be exercisable for the duration of the option term.

An optionee whose relationship with F5 or any affiliate of F5 ceases for any reason, other than by death or permanent and total disability, may exercise vested options up to 90 days following the cessation or a longer period as may be extended by the board in the case of a nonstatutory stock option. Options may be exercised for up to 12 months after an optionee's relationship with F5 or its affiliate ceases due to death or disability or a longer period as the board of directors may extend in the case of a nonstatutory stock option.

No incentive stock option may be granted to any person who, at the time of the grant, owns, or is deemed to own, stock possessing more than 10% of the total combined voting power of F5 or any affiliate of F5, unless the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant and the term of the option does not exceed five years from the date of grant. In addition, the aggregate fair market value, determined at the time of grant, of the shares of our common stock with respect to which incentive stock options are exercisable for the first time by an optionee during any calendar year under the plan and all other stock plans of F5 and its affiliates may not exceed $100,000. The options, or portions of the options, which exceed this limit are treated as nonstatutory options.

Shares subject to stock options that have lapsed or terminated, without having been exercised in full, may again become available for the grant of options under the plan.

Upon certain changes of control of F5 as provided under the plan, or in the case of a dividend in excess of 10% of the then fair market value of our stock, all outstanding options will automatically become fully vested and exercisable for the duration of the option term.

As of August 31, 1999, we had issued 749,750 shares upon the exercise of options granted under the plan and options to purchase 1,579,640 shares were outstanding with 102,610 shares reserved for future grants under either this plan or our Amended and Restated Directors' Nonqualified Stock Option Plan. We do not plan to grant any additional options under this plan.

AMENDED AND RESTATED DIRECTORS' NONQUALIFIED STOCK OPTION PLAN. Our board of directors adopted the Amended and Restated Directors' Nonqualified Stock Option Plan on December 2, 1996, and our shareholders approved it on January 28, 1997. The plan provides for the issuance of up to 2,600,000 shares of our common stock, less the number of any shares issuable upon exercise under the Amended and Restated 1996 Stock Option Plan. All of our non-employee directors who joined our board of directors before August 21, 1998 were entitled to receive non-discretionary stock option grants under the plan. Options granted under the plan do not qualify as incentive stock options under the Internal Revenue

Code. Each option granted pursuant to the plan has an exercise price equal to $0.50. Under the plan, each non-employee director who joined the board following the closing of the offering of our Series A preferred stock and before May 1, 1998 and who was not elected in direct connection with his or her investment in our stock (or with the investment in our stock by an affiliated or representative entity of the non-employee director) was automatically granted an option to purchase that number of shares of our common stock equal to one percent of the then-current fully-diluted number of shares of our common stock. After May 1, 1998, each newly appointed non-employee director was automatically granted an option to purchase 84,000 shares of our common stock. Options granted under the plan vest in three equal annual installments from the date of grant and become immediately vested and exercisable upon a director's death or disability. Options granted under the plan are generally non-transferable. An optionee whose directorship with F5 ceases for any reason, other than by death or disability, may exercise vested options up to 90 days following cessation, unless these options terminate or expire sooner by their terms. Options may be exercised for up to one year after an optionee's directorship with F5 ceases due to disability or death. An optionee may not exercise any options granted under the plan, however, after the expiration of ten years from the date it was granted. Upon certain changes of control of F5 as provided under the plan, the plan's options will automatically become fully vested and be exercisable for the duration of the option term.

As of August 31, 1999, we had issued 126,000 shares upon the exercise of options granted under the plan, and options to purchase 168,000 shares were outstanding with 102,610 shares reserved for future grants or purchases under either this plan or the 1996 Stock Option Plan. We do not plan to grant any additional options under the Amended and Restated Directors' Nonqualified Stock Option Plan.

1999 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN. We adopted the 1999 Non-Employee Directors' Stock Option Plan in April 1999 to provide for the automatic grant to F5 non-employee directors of options to purchase shares of our common stock. The board administers the plan unless it has delegated administration to a committee. In April 1999, we reserved an aggregate of 100,000 shares of common stock for issuance under the plan, subject to adjustment in the event of certain capital changes, and the shareholders approved it in May, 1999.

Each person who is first elected or appointed as a non-employee director after the initial public offering will automatically receive a fully vested and exercisable option for 5,000 shares. In addition, on the day after each of our annual meetings of the shareholders, starting with the annual meeting in 2000, each eligible non-employee director will automatically receive a fully vested and exercisable option for 5,000 shares, provided that the recipient has been a non-employee director for at least the prior six months. As long as a non-employee director who is an optionholder continues to serve with us or with an affiliate of ours, whether in the capacity of a director, an employee or a consultant, the optionholder may exercise the option.

The optionholder may not transfer the option except by will or by the laws of descent and distribution. Although only the optionholder may exercise the option during his or her lifetime, the optionholder may designate a third party who may exercise the option in the event of the optionee's death. Options granted under the plan expire 10 years after the date of grant and have an exercise price equal to 100% of the fair market value of the common stock on the date of grant. If the optionholder's service to F5 or an affiliate terminates, the optionholder may exercise the option for 12 months if termination is due to disability, for 18 months if termination is due to death or for three months in all other circumstances.

In the event of a "change in control," the surviving or acquiring corporation may assume outstanding options under the plan or substitute similar options. A "change in control" means a sale of all or substantially all of F5's assets, a merger or consolidation in which F5 is not the surviving corporation or a reverse merger in which F5 is the surviving corporation but the shares of common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property.

1999 EMPLOYEE STOCK PURCHASE PLAN. In April 1999, we adopted the 1999 Employee Stock Purchase Plan, authorizing the issuance of 1,000,000 shares of common stock pursuant to purchase rights granted to

employees of F5 or to employees of any designated affiliate of F5 and the shareholders approved it in May, 1999. The purchase plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code.

The purchase plan provides a means by which employees may purchase our common stock through payroll deductions. We implement this purchase plan by offerings of purchase rights to eligible employees. Under the purchase plan, we may specify offerings with a duration of not more than 27 months, and may specify shorter purchase periods within each offering. The first offering began on June 4, 1999. Unless otherwise determined by the board of directors, common stock is purchased for accounts of employees participating in the purchase plan at a price per share equal to the lower of (1) 85% of the fair market value of a share of common stock on the first day of the offering or (2) 85% of the fair market value of a share of common stock on the date of purchase.

Generally, employees who work at least 20 hours per week and 5 months per calendar year may deduct up to 15% of their base compensation for the purchase of stock under the purchase plan. Employees may end their participation in the offering at any time up to one day before the offering ends. Participation ends automatically on termination of employment with F5 or an affiliate.

We may grant eligible employees purchase rights under this plan only if the rights together with any other rights granted under other employee stock purchase plans established by F5 or an affiliate of F5, if any, do not permit the employee's rights to purchase our stock to accrue at a rate which exceeds $25,000 of fair market value of this stock for each calendar year in which these rights are outstanding. No employee is eligible for the grant of any rights under the purchase plan if immediately after we grant these rights, the employee has voting power over 5% or more of our outstanding capital stock. As of the date hereof, no shares of common stock had been purchased under the purchase plan.

401(k) PLAN. We have adopted a tax-qualified employee savings and retirement plan, the 401(k) Plan, for eligible United States employees. Eligible employees may elect to defer a percentage of their eligible compensation in the 401(k) Plan, subject to the statutorily prescribed annual limit. We may make matching contributions on behalf of all participants in the 401(k) Plan in an amount determined by our board of directors. We may also make additional discretionary profit sharing contributions in amounts as determined by the board of directors, subject to statutory limitations. Matching and profit-sharing contributions, if any, are subject to a vesting schedule; all other contributions are at all times fully vested. We intend the 401(k) Plan, and the accompanying trust, to qualify under Sections 401(k) and 501 of the Internal Revenue Code so that contributions by employees or by F5 to the 401(k) Plan, and income earned (if any) on plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan, and so that we will be able to deduct our contributions, if any, when made. The trustee under the 401(k) Plan, at the direction of each participant, invests the assets of the 401(k) Plan in any of a number of investment options.

LIMITATIONS OF LIABILITY AND INDEMNIFICATION MATTERS

Our articles of incorporation limit the liability of directors to the fullest extent permitted by the Washington Business Corporation Act as it currently exists. Consequently, subject to the Washington Business Corporation Act, no director will be personally liable to us or our shareholders for monetary damages resulting from his or her conduct as a director of F5, except liability for:

- acts or omissions involving intentional misconduct or knowing violations of law;

- unlawful distributions; or

- transactions from which the director personally receives a benefit in money, property or services to which the director is not legally entitled.

Our articles of incorporation provide that we may indemnify any individual made a party to a proceeding because that individual is or was an F5 director or officer, and this right to indemnification will

continue as to an individual who has ceased to be a director or officer and will inure to the benefit of his or her heirs, executors or administrators. Any repeal of or modification to our articles of incorporation may not adversely affect any right of an F5 director or officer who is or was a director or officer at the time of any repeal or modification. To the extent the provisions of our articles of incorporation provide for indemnification of directors or officers for liabilities arising under the Securities Act of 1933, as amended, those provisions are, in the opinion or the Securities and Exchange Commission, against public policy as expressed in the Securities Act and they are therefore unenforceable.

Our bylaws provide that we will indemnify our directors and officers and may indemnify our other officers and employees and other agents to the fullest extent permitted by law.

We have entered into agreements to indemnify our directors and certain officers, in addition to indemnification provided for in our articles of incorporation or bylaws. These agreements, among other things, indemnify our directors and certain officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any of these persons in any action or proceeding, including any action by us arising out of the person's services as our director or officer or any other company or enterprise to which the person provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and officers. We also currently maintain liability insurance for our officers and directors.

CHANGE OF CONTROL ARRANGEMENTS

Upon certain changes in control of F5 as provided under the 1998 Equity Incentive Plan, all outstanding stock awards under this plan will either be assumed or substituted by the surviving entity. If the surviving entity determines not to assume or substitute these awards, then with respect to persons whose service with F5 or an affiliate of F5 has not terminated before the change in control, the vesting of 50% of these stock awards and the time during which these awards may be exercised will be accelerated and the awards terminated if not exercised before the change in control.

Upon certain changes of control of F5 as provided under the Amended and Restated 1996 Stock Option Plan, or in the case of a dividend in excess of 10% of the then fair market value of our stock, then all outstanding options under this plan will automatically become fully vested and exercisable for the duration of the option term.

Upon certain changes of control of F5 as provided under the Amended and Restated Directors' Nonqualified Stock Option Plan, all outstanding options will automatically become fully vested and be exercisable for the duration of the option term.

Pursuant to the terms of an agreement between F5 and Mr. Goldman, in the event of a business combination in which F5 is not the surviving entity, if the surviving entity terminates Mr. Goldman as Senior Vice President of Sales, Marketing and Services or changes his position to one that is not equal or greater in scope, responsibility, compensation or stature, then Mr. Goldman may be entitled to a severance payment equal to his 1998 compensation.

CERTAIN TRANSACTIONS

Since our incorporation in February 1996 through August 31, 1999, we have issued and sold securities to the following persons who are our executive officers, directors or principal shareholders.

INVESTOR (1)	SERIES A PREFERRED STOCK (2)	SERIES B PREFERRED STOCK (3)	SERIES C PREFERRED STOCK (4)	SERIES D PREFERRED STOCK (5)	WARRANTS (6)	COMMON STOCK
Carlton G. Amdahl.....	--	--	--	--	--	28,000
Robert J. Chamberlain....	--	--	--	--	--	150,000
Steven Goldman.....	--	--	--	--	--	92,250
Brett Helsel.....	--	--	--	--	--	50,000
Alan J. Higginson.....	10,000	--	--	--	--	--
Jeffrey S. Hussey.....	--	--	--	--	--	3,448,000
Kent L. Johnson.....	10,000(7)	--	--	--	--	56,000
Michael D. Almquist.....	--	--	--	--	--	1,480,000
Britannia Holdings Limited.....	--	937,500	--	--	1,825,000	600,000
Cypress Partners Limited Partnership.....	--	--	156,250	--	--	187,500
Encompass Group Incorporated.....	100,000	156,250	--	--	187,500	--
Menlo Ventures (8).....	--	--	--	843,926	--	--
Alexander Hutton Capital, L.L.C. (9).....	--	--	--	--	--	240,000

(1) See "Principal and Selling Shareholders" for more detail on shares held by these purchasers.

(2) The per share purchase price for our Series A preferred stock was $3.00. Each outstanding share of Series A preferred stock has been converted into six shares of common stock at a conversion price of $0.50 per share.

(3) The per share purchase price for our Series B preferred stock was $1.60. Each outstanding share of Series B preferred stock has been converted into two shares of common stock at a conversion price of $0.80 per share.

(4) The per share purchase price for our Series C preferred stock was $9.60. Each outstanding share of Series C preferred stock has been converted into six shares of common stock at a conversion price of $1.60 per share.

(5) The per share purchase price for our Series D preferred stock was $6.79. Each outstanding share of Series D preferred stock has been converted into two shares of common stock at a conversion price of $3.395 per share.

(6) Warrants are exercisable for our common stock at purchase prices per share as follows:

WARRANTS	PRICE
600,000.....	$ 0.50
100,000.....	$ 0.64
1,312,500.....	$ 0.80

(7) Consists of 10,000 shares held by KLJ Ventures, of which Mr. Johnson is President.

(8) The shares listed represent 809,910 shares held by Menlo Ventures VII, L.P. and 34,016 shares held by Menlo Entrepreneurs Fund VII, L.P. Ms. Hoel, one of our directors, is a managing director and general partner of Menlo Ventures.

(9) Mr. Johnson, one of our directors, is President of Alexander Hutton Capital, L.L.C.

In addition, we have granted options to certain of our executive officers. See "Management-- Executive Compensation."

In May, August and December 1996, we sold an aggregate of 400,000 shares of Series A Preferred stock to certain investors, including Messrs. Higginson and Johnson, two of our directors, members of the Hussey family, and Encompass Group Limited, one of our principal shareholders, at an aggregate purchase price of $1.2 million or $3.00 per share. We paid Alexander Hutton Capital, L.L.C. a placement agent fee of $70,000 in connection with the sale of our Series A preferred stock. Mr. Johnson, one of our directors, is President of Alexander Hutton Capital, L.L.C.

In March and August of 1997, we issued Brittania Holdings a warrant exercisable for 100,000 and 600,000 shares of common stock in conjunction with convertible note agreements of $500,000 and $300,000, respectively. The warrants have per share exercise prices of $0.64 and $0.50, respectively.

In September, October and November 1997, we sold an aggregate of 1,250,000 shares of Series B preferred stock to certain investors, including Brittania Holdings and Encompass Group Limited, two of our principal shareholders, at an aggregate purchase price of $2.0 million or $1.60 per share. We also issued Brittania Holdings a warrant exercisable for 1,125,000 shares of common stock at a per share exercise price of $0.80 and Encompass Group Limited a warrant exercisable for 187,500 shares of common stock at a per share exercise price of $0.80.

On April 15, 1998, we sold an aggregate of 156,250 shares of Series C preferred stock to Cypress Partners Limited Partnership at an aggregate purchase price of $1.5 million or $9.60 per share, and issued Cypress Partners Limited Partnership a warrant exercisable for 187,500 shares of common stock at a per share exercise price of $1.60, which was exercised on February 1, 1999.

On August 21, 1998, we sold an aggregate of 1,138,438 shares of Series D preferred stock to certain investors, including affiliates of Menlo Ventures and IDG Ventures, two of our principal shareholders, at an aggregate purchase price of $7.7 million or $6.79 per share. Ms. Hoel, one of our directors, is a managing director and general partner of Menlo Ventures.

In March 1999, we issued 150,000 shares of our common stock to Mr. Chamberlain in exchange for a promissory note. These shares were acquired by exercising stock options that vest over a period of four years. The note bears interest at a rate of 4.83%, is collateralized by the shares and partially guaranteed by Mr. Chamberlain and is due in 2003. Under the pledge agreement, we have the obligation to repurchase any remaining unvested shares, and the note becomes due upon Mr. Chamberlain's termination. Further, the shares may not be transferred until they are vested and paid for except under certain circumstances as provided under the pledge agreement.

We have entered into indemnification agreements with our directors and certain officers for the indemnification of and advancement of expenses to these persons to the fullest extent permitted by law. We also intend to enter into these agreements with our future directors and certain officers.

We believe that the foregoing transactions were in our best interest and were made on terms no less favorable to us than could have been obtained from unaffiliated third parties. All future transactions between us and any of our officers, directors or principal shareholders will be approved by a majority of the independent and disinterested members of the board of directors, will be on terms no less favorable to us than could be obtained from unaffiliated third parties and will be in connection with our bona fide business purposes.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table summarizes certain information regarding the beneficial ownership of our outstanding common stock as of August 31, 1999 for:

- each person or group that we know owns more than 5% of the common stock;

- each of our directors;

- our chief executive officer;

- executive officers whose compensation exceeded $100,000 in 1998;

- a shareholder who is selling shares in this offering; and

- all of our directors and executive officers as a group.

	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING		NUMBER OF SHARES BEING	SHARES BENEFICIALLY OWNED AFTER OFFERING	
NAME AND ADDRESS (1)	NUMBER	PERCENT (2)	OFFERED	NUMBER	PERCENT (2)
5% SHAREHOLDERS					
Michael D. Almquist 153 Highland Drive Seattle, Washington 98109	1,340,000	7.6%	100,000	1,240,000	6.7%
Britannia Holdings Limited (3) P.O. Box 556 Main Street Charlestown, Nevis	3,950,000	19.8	800,000	3,150,000	16.9
Menlo Ventures VII, L.P. (4) 3000 Sand Hill Rd., Bldg. 4-100 Menlo Park, California 94025	1,687,852	9.3	250,000	1,437,852	7.7
Cypress Partners Limited Partnership P.O. Box 9006 Seattle, Washington 98109	1,125,000	6.2	--	1,125,000	6.0
Encompass Ventures, Inc. (5) 777 - 108th Avenue N.E., Suite 2300 Bellevue, Washington 98004	1,100,000	6.1	--	1,100,000	5.9
CURRENT EXECUTIVE OFFICERS AND DIRECTORS					
Jeffrey S. Hussey (6)	2,618,000	14.4	100,000	2,518,000	13.5
Steven Goldman (7)	206,110	1.1	40,000	166,110	*
Carlton G. Amdahl	28,000	*	--	28,000	*
Karl D. Guelich (8)	5,000	*	--	5,000	*
Alan J. Higginson (9)	141,300	*	--	141,300	*
Sonja L. Hoel (4)	1,687,852	9.3	250,000	1,437,852	7.7
Kent L. Johnson (10)	170,740	*	--	170,740	*
All directors and executive officers as a group (9 persons) (11)	5,136,410	27.9	420,000	4,716,410	25.3
OTHER SELLING SHAREHOLDERS					
Brian R. Dixon	125,687	*	20,000	105,687	*
Brett L. Helsel	80,000	*	30,000	50,000	*
Taylor Hussey Trust	400,000	2.1	50,000	350,000	1.9
Becky Arnett Hussey	350,000	1.9	35,000	315,000	1.7
Gerald W. Hussey and Helen J. Hussey	140,000	*	20,000	120,000	*
Gary Pittman	187,500	1.1	50,000	137,500	*
Joann M. Reiter	13,600	*	5,000	8,600	*

* Less than 1%

(1) Unless otherwise indicated, the address of each of the named individuals is c/o F5 Networks, Inc., 200 First Avenue West, Suite 500, Seattle, Washington 98119

(2) Beneficial ownership of shares is determined in accordance with the rules of the Securities and Exchange Commission and generally includes any shares over which a person exercises sole or shared voting or investment power, or of which a person has the right to acquire ownership at any time within 60 days after August 31, 1999. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock held by them. Applicable percentage ownership in the following table is based on 18,126,667 shares of common stock outstanding as of August 31, 1999 and 18,626,667 shares of common stock outstanding immediately following the completion of this offering.

(3) The Duvall Trust is the sole shareholder of Britannia Holdings Limited. The Elfin Trust Company Limited, a Guernsey corporation, is the trustee of the Duvall Trust. Mr. Peter Howe is the trustee for the Elfin Trust Company Limited. Includes 1,825,000 shares issuable upon exercise of warrants exercisable within 60 days of August 31, 1999.

(4) Ms. Hoel is a managing director and general partner of Menlo Ventures. The shares listed represent 1,619,820 shares held by Menlo Ventures VII, L.P. and 68,032 shares held by Menlo Entrepreneurs Fund VII, L.P. Ms. Hoel disclaims beneficial ownership of all shares held by Menlo Entrepreneurs Fund VII, L.P. except to the extent of her pro rata interest in this partnership. The shares being offered for sale are being offered by Menlo Ventures.

(5) Includes 187,500 shares issuable upon warrants exercisable within 60 days of August 31, 1999.

(6) Does not include 400,000 shares held by Brian Dixon as trustee of the Hussey Family Trust fbo Mr. Hussey's minor child and 48,000 shares transferred to Mr. Hussey's brother in May 1999.

(7) Includes 113,860 shares issuable upon exercise of options exercisable within 60 days of August 31, 1999.

(8) Includes 5,000 shares issuable upon exercise of options exercisable within 60 days of August 31, 1999.

(9) Includes 84,000 shares issuable upon exercise of options exercisable within 60 days of August 31, 1999.

(10) Includes 28,000 shares issuable upon exercise of options exercisable within 60 days of August 31, 1999.

(11) Includes 150,000 shares subject to repurchase by F5 and 280,268 shares issuable upon exercise of options exercisable within 60 days of August 31, 1999.

DESCRIPTION OF CAPITAL STOCK

GENERAL

We have authorized 100,000,000 shares of common stock, no par value, and 10,000,000 shares of undesignated preferred stock, no par value. The following description of our capital stock does not purport to be complete and is subject to and qualified in its entirety by our second amended and restated articles of incorporation and bylaws and by the provisions of applicable Washington law.

COMMON STOCK

As of August 31, 1999, there were 18,126,667 shares of common stock outstanding, which were held by 170 shareholders. Holders of common stock are entitled to one vote per share on all matters to be voted upon by the shareholders. Holders of common stock do not have cumulative voting rights, and, therefore, holders of a majority of the shares voting for the election of directors will be able to elect all of the directors.

Holders of common stock will receive such dividends as our board of directors may declare from time to time out of funds legally available for the payment of dividends, subject to the terms of any existing or future agreements between us and our debtholders. See "Dividend Policy." In the event of the liquidation, dissolution or winding up of F5, the holders of common stock will share ratably in all assets legally available for distribution after payment of all debts and other liabilities and subject to the prior rights of any holders of preferred stock then outstanding. Holders of our common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are, and all shares of common stock to be outstanding upon completion of this offering will be, fully paid and nonassessable.

PREFERRED STOCK

We have authorized 10,000,000 shares of undesignated preferred stock. There are no shares of preferred stock outstanding. The board of directors has the authority to issue the preferred stock in one or more series and to fix the price, rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting a series or the designation of the series, without any further vote or action by our shareholders. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control of F5 without further action by the shareholders and may adversely affect the market price of, and the voting and other rights of, the holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. We have no current plans to issue any shares of preferred stock.

WARRANTS

As of August 31, 1999, warrants to purchase 2,212,500 shares of common stock were outstanding at a weighted-average exercise price of $0.75 per share. Each warrant contains provisions for the adjustment of the exercise price and the aggregate number of shares issuable upon the exercise of the warrant in the event of stock dividends, stock splits, reorganizations, reclassifications and consolidations. Warrants exercisable for an aggregate of 2,200,000 shares of common stock contain additional provisions for the adjustment of the exercise price and the aggregate number of shares issuable upon certain dilutive issuances of securities at prices below the then existing warrant exercise price.

REGISTRATION RIGHTS

Holders of 5,364,376 shares of common stock and of warrants exercisable for 2,200,000 shares of common stock have certain rights relating to the registration of these shares under state and federal securities laws. These rights, which are assignable, are outlined in an agreement between F5 and these holders. A majority of these holders may generally require that we register the common stock subject to these rights for public resale provided that the proposed aggregate selling offering price would exceed $5.0 million. If we register any of our common stock either for our own account or for the account of other security holders, these holders may also include their common stock subject to these rights in the registration, subject to the ability of the underwriters to limit the number of shares included in the offering. The holders of our common stock that was issued upon conversion of our Series B, C and D preferred stock may also require us to register all or a portion of their common stock subject to these rights on Form S-3, when use of this form becomes available, provided that among other limitations, the proposed aggregate offering price would be at least $2.0 million. The registration rights of a holder terminates, when the holder can, within a three month period, offer and sell all of his or her registrable securities pursuant to Rule 144 and as to all holders, on June 4, 2002.

ANTI-TAKEOVER EFFECTS OF CERTAIN PROVISIONS OF AMENDED ARTICLES OF INCORPORATION, BYLAWS AND WASHINGTON LAW

Our board of directors, without shareholder approval, has authority under our amended articles of incorporation to issue preferred stock with rights superior to the rights of the holders of common stock. As a result, our board could issue preferred stock quickly and easily, which could adversely affect the rights of holders of common stock and which our board could issue with terms calculated to delay or prevent a change in control of F5 or make removal of management more difficult.

ELECTION AND REMOVAL OF DIRECTORS. Our articles of incorporation provide for the division of our board of directors into three classes, as nearly as equal in number as possible, with the directors in each class serving for a three-year term, and one class being elected each year by our shareholders. The Class I term will expire at the annual meeting of shareholders to be held in 2000; the Class II term will expire at the annual meeting of shareholders to be held in 2001; and the Class III term will expire at the annual meeting of shareholders to be held in 2002. At each annual meeting of shareholders after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Because this system of electing and removing directors generally makes it more difficult for shareholders to replace a majority of the board of directors, it may discourage a third party from making a tender offer or otherwise attempting to gain control of F5 and may maintain the incumbency of the board of directors.

SHAREHOLDER MEETINGS. Our bylaws provide that, except as otherwise required by law or by our amended articles of incorporation, special meetings of the shareholders can only be called pursuant to a resolution adopted by our board of directors, the chairman of the board or president. These provisions of our amended articles of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, these provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

Washington law also imposes restrictions on certain transactions between a corporation and certain significant shareholders. Chapter 23B.19.040 of the Washington Business Corporation Act prohibits a "target corporation," with certain exceptions, from engaging in certain significant business transactions with an "acquiring person," which is defined as a person or group of persons that beneficially owns 10% or more of the voting securities of the target corporation, for a period of five years after the acquisition, unless the transaction or acquisition of shares is approved by a majority of the members of the target corporation's board of directors prior to the time of acquisition. Such prohibited transactions include, among other things:

- a merger or consolidation with, disposition of assets to, or issuance or redemption of stock to or from, the acquiring person;

- termination of 5% or more of the employees of the target corporation as a result of the acquiring person's acquisition of 10% or more of the shares; or

- allowing the acquiring person to receive any disproportionate benefits as a shareholder.

After the five-year period, a "significant business transaction" may occur, as long as it complies with certain "fair price" provisions of the statute. A corporation may not "opt out" of this statute. This provision may have the effect of delaying, deferring or preventing a change in control.

TRANSFER AGENT

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have outstanding 18,626,667 shares of common stock, assuming no exercise of options or warrants after August 31, 1999. Of these shares, 5,450,000 shares will be freely tradable without restriction or further registration under the Securities Act; provided, however, that if shares are owned by "affiliates," as that term is defined in Rule 144 under the Securities Act, their sales of shares would be subject to certain limitations and restrictions that are described below.

The remaining 13,176,667 shares of common stock, held by existing shareholders as of August 31, 1999 were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. All of these shares are subject to lock-up agreements described below. Upon expiration of the lock-up agreements on December 2, 1999, substantially all of these shares will become eligible for sale, subject in most cases to the limitations of Rules 144 and 701. In addition, holders of stock options and warrants could exercise their options and warrants and sell the shares issued upon exercise as described below.

As of August 31, 1999, there were a total of 2,212,500 shares of common stock that could be issued upon exercise of outstanding warrants. All of these shares are subject to lock-up agreements. As of August 31, 1999, there were a total of 1,579,640 shares of common stock subject to outstanding options under our stock plans, of which 1,260,049 were vested. However, all of these shares are subject to lock-up agreements. Shares purchased upon exercise of options granted pursuant to our Amended and Restated 1996 Stock Option Plan, Amended and Restated Directors' Nonqualified Stock Option Plan, 1998 Equity Incentive Plan, 1999 Non-Employees Directors' Plan and 1999 Employee Stock Purchase Plan generally are available for resale in the public market.

In connection with our initial public offering, the officers, directors and then existing shareholders of F5 agreed not to sell or otherwise dispose of any of their shares for a period ending December 2, 1999. Hambrecht & Quist, however, may in its sole discretion, at any time and in most cases without notice, release all or any portion of the shares subject to lock-up agreements.

RULE 144

In general, under Rule 144 as currently in effect, a person who has beneficially owned shares of F5's common stock for at least one year would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 186,000 shares immediately after the effective date of this offering; or

- the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to this sale.

Sales under Rule 144 are also subject to other requirements regarding the manner of sale, notice filing and the availability of current public information about F5.

RULE 701

In general, under Rule 701, any F5 employee, director, officer, consultant or advisor who purchases shares from F5 in connection with a compensatory stock or option plan or other written agreement before the effective date of the offering is entitled to resell these shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with certain restrictions, including the holding period, contained in Rule 144.

The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the

shares acquired upon exercise of these options (including exercises after the date of this prospectus). Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold by persons other than affiliates subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with its one year minimum holding period requirement.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through their representatives, Hambrecht & Quist LLC, BancBoston Robertson Stephens Inc., Bear, Stearns & Co. Inc. and Dain Rauscher Wessels, a division of Dain Rauscher Incorporated, have severally agreed to purchase from F5 and the selling shareholders the following respective numbers of shares of common stock.

NAME	NUMBER OF SHARES
Hambrecht & Quist LLC	
BancBoston Robertson Stephens Inc	
Bear, Stearns & Co. Inc	
Dain Rauscher Wessels, a division of Dain Rauscher Incorporated	
Total	2,000,000

The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from F5 and the selling shareholders, their counsel and the independent auditors. The nature of the underwriters' obligation is such that they have committed to purchase all shares of common stock offered hereby if any of these shares are purchased.

The underwriters are offering the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at this price less a concession not in excess of $ per share. The underwriters may allow and these dealers may re-allow a concession not in excess of $ per share to certain other dealers. After the public offering of the shares, the underwriters may change the offering price and other selling terms.

F5 and certain shareholders have granted to the underwriters an option, exercisable no later than 30 days after the date of this prospectus, to purchase up to 300,000 additional shares of common stock at the public offering price, less the underwriting discount set forth on the cover page of this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will have a firm commitment to purchase approximately the same percentage thereof which the number of shares of common stock to be purchased by it shown in the above table bears to the total number of shares of common stock offered hereby. F5 and such shareholders will be obligated, pursuant to the option, to sell shares to the underwriters to the extent the option is exercised. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of shares of common stock offered hereby. Kent L. Johnson, a director of the Company, is the president of Alexander Hutton Capital, L.L.C., which is a member of the NASD. Mr. Johnson is one of the shareholders who has granted the underwriters an option to purchase additional shares in connection with their exercise of the over-allotment option.

The offering of the shares is made for delivery when, as and if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The underwriters reserve the right to reject an order for the purchase of shares in whole or in part.

F5 and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect thereof.

We have agreed that we will not, without the prior written consent of Hambrecht & Quist LLC, offer, sell or otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock or securities exchangeable for or convertible into shares of common stock during the 90-day period following the date of this prospectus, except that we may issue shares upon the exercise of options granted prior to the date hereof, and may grant additional options under our stock option plans.

Certain persons participating in this offering may over-allot or effect transactions that stabilize, maintain or otherwise affect the market price of the common stock at levels above those that might otherwise prevail in the open market, including by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids. A stabilizing bid means the placing of any bid or effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of the common stock. A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting of any purchase to reduce a short position created in connection with the offering. A penalty bid means an arrangement that permits the underwriters to reclaim a selling concession from a syndicate member in connection with the offering when shares of common stock sold by the syndicate member are purchased in syndicate covering transactions. Such transactions may be effected on the Nasdaq National Market, in the over-the-counter market, or otherwise. Such stabilizing, if commenced may be discontinued at any time.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for F5 by Heller Ehrman White & McAuliffe, Seattle, Washington. Certain legal matters will be passed upon for the underwriters by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Menlo Park, California.

EXPERTS

The financial statements as of September 30, 1997 and 1998 and June 30, 1999 and for the period from February 26, 1996, (inception), to September 30, 1996 and for each of the two years in the period ended September 30, 1998 and for the nine months ended June 30, 1999 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL F5 INFORMATION

We have filed with the SEC a registration statement on Form S-1 with respect to the common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement. For further information with respect to F5 and our common stock, reference is made to the registration statement and the exhibits and schedules thereto. You may read and copy any document we file at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information about the public reference rooms. Our SEC filings are also available to the public from the SEC's Web site at http://www.sec.gov. Information contained on F5's Web site does not constitute part of this prospectus.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information are available for inspection and copying at the SEC's public reference rooms, our Web site and the Web site of the SEC referred to above.

F5 NETWORKS, INC.

INDEX TO FINANCIAL STATEMENTS

	PAGE
Report of Independent Accountants	F-2
Balance Sheets	F-3
Statements of Operations	F-4
Statement of Shareholders' Equity (Deficit)	F-5
Statements of Cash Flows	F-6
Notes to Financial Statements	F-7

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of F5 Networks, Inc.

In our opinion, the accompanying balance sheets and the related statements of operations, of shareholders' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of F5 Networks, Inc. at September 30, 1997 and 1998 and June 30, 1999, and the results of its operations and its cash flows for the period from February 26, 1996 (inception) to September 30, 1996 and for each of the years in the two year period ended September 30, 1998 and for the nine months ended June 30, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Seattle, Washington
September 2, 1999

F5 NETWORKS, INC.

BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	SEPTEMBER 30, 1997	SEPTEMBER 30, 1998	JUNE 30, 1999
ASSETS			
Current assets:			
Cash and cash equivalents	$ 143	$ 6,206	$ 26,948
Accounts receivable, net of allowances of $0, $382 and $826	329	2,032	5,858
Inventories	77	99	710
Other current assets	68	250	839
Total current assets	617	8,587	34,355
Property and equipment, net	196	682	1,925
Software development costs, net of accumulated amortization of $4, $83 and $158	52	118	43
Other assets	54	45	163
Total assets	$ 919	$ 9,432	$ 36,486
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	$ 117	$ 559	$ 3,540
Accrued liabilities	114	458	1,579
Deferred revenue	184	788	2,462
Current portion of long-term debt	500		
Capital lease obligations, current portion	19	19	
Total current liabilities	934	1,824	7,581
Capital lease obligations, net of current portion	19		
Long-term debt, net of current portion	197		
Total liabilities	1,150	1,824	7,581
Commitments (Note 9)			
Redeemable convertible preferred stock, no par value:			
Series D Convertible, no, 1,138,438 and no shares issued and outstanding		7,688	
Shareholders' equity (deficit):			
Preferred stock, no par value; 10,000,000 shares authorized			
Series A Convertible, 400,000, 400,000 and no shares issued and outstanding	1,123	1,123	
Series B Convertible, 156,250, 1,250,000 and no shares issued and outstanding	208	1,656	
Series C Convertible, no, 156,250 and no shares issued and outstanding		1,418	
Common stock, no par value; 100,000,000 shares authorized, 6,000,000, 6,021,500 and 18,108,185 shares issued and outstanding	393	2,875	45,751
Note receivable from shareholder			(750)
Unearned compensation	(169)	(1,694)	(3,960)
Accumulated deficit	(1,786)	(5,458)	(12,136)
Total shareholders' equity (deficit)	(231)	(80)	28,905
Total liabilities and shareholders' equity	$ 919	$ 9,432	$ 36,486

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

F5 NETWORKS, INC.

STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PERIOD FROM FEBRUARY 26, 1996 (INCEPTION) TO SEPTEMBER 30, 1996	YEAR ENDED SEPTEMBER 30,		NINE MONTHS ENDED JUNE 30,	
		1997	1998	1998	1999
				(UNAUDITED)	
Net revenues:					
Products	$ 2	$ 229	$ 4,119	$ 2,537	$ 11,872
Services	--	--	770	444	2,190
Total net revenues	2	229	4,889	2,981	14,062
Cost of net revenues:					
Products	1	71	1,091	694	3,085
Services	--	--	314	171	976
Total cost of net revenues	1	71	1,405	865	4,061
Gross profit	1	158	3,484	2,116	10,001
Operating expenses:					
Sales and marketing	62	565	3,881	2,439	9,113
Research and development	103	569	1,810	1,059	3,810
General and administrative	180	383	1,041	690	2,145
Amortization of unearned compensation	4	69	420	205	1,797
Total operating expenses	349	1,586	7,152	4,393	16,865
Loss from operations	(348)	(1,428)	(3,668)	(2,277)	(6,864)
Other income (expense):					
Interest expense	--	(46)	(42)	(36)	(2)
Interest income	18	18	38	15	188
Net loss	$ (330)	$ (1,456)	$ (3,672)	$ (2,298)	$ (6,678)
Net loss per share--basic and diluted	$ (0.06)	$ (0.24)	$ (0.60)	$ (0.37)	$ (0.88)
Weighted average shares--basic and diluted	5,932	6,000	6,086	6,135	7,582
Pro forma net loss per share (unaudited):					
Net loss per share--basic and diluted			$ (0.26)		$ (0.45)
Weighted average shares--basic and diluted			14,201		14,923

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

F5 NETWORKS, INC.
STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD FROM FEBRUARY 26, 1996 (INCEPTION) TO JUNE 30, 1999
(IN THOUSANDS, EXCEPT SHARE DATA)

	CONVERTIBLE PREFERRED STOCK AMOUNT			
	SHARES	SERIES A	SERIES B	SERIES C
Common stock issued to founding shareholders.....				
Common stock issued for merger.....				
Sales of Series A Convertible Preferred Stock, (net of issuance costs of $77).....	370,000	$ 1,123		
Issuance of Series A Convertible Preferred Stock upon payment of subscription receivable from shareholder.....	10,000			
Unearned compensation.....				
Amortization of unearned compensation.....				
Net loss.....				
Balance, September 30, 1996...	380,000	1,123		
Issuance of Series A Convertible Preferred Stock upon payment of subscription receivable from shareholders.....	20,000			
Sales of Series B Convertible Preferred Stock.....	156,250		$ 250	
Value ascribed to warrants issued in conjunction with sale of Convertible Preferred Stock.....			(42)	
Value ascribed to warrants issued with note payable....				
Unearned compensation.....				
Amortization of unearned compensation.....				
Net loss.....				
Balance, September 30, 1997...	556,250	1,123	208	
Sales of Series B Convertible Preferred Stock, (net of issuance costs of $30).....	1,093,750		1,740	
Sales of Series C Convertible Preferred Stock, (net of issuance costs of $7).....	156,250			$ 1,493
Value ascribed to warrants issued in conjunction with sales of Convertible Preferred Stock.....			(292)	(75)
Exercise of stock options by employees.....				
Exercise of stock warrants....				
Repurchase of common stock under shareholder agreement.....				
Issuance of common stock under shareholder agreement.....				
Conversion of note payable to common stock.....				
Unearned compensation.....				
Amortization of unearned compensation.....				
Net loss.....				
Balance, September 30, 1998...	1,806,250	1,123	1,656	1,418
Exercise of stock options by employees.....				
Exercise of stock warrants....				
Note receivable from shareholder for exercise of stock options				
Unearned compensation.....				

Amortization of unearned compensation.....				
Conversion of convertible preferred stock to common stock in connection with the initial public offering.....	(1,806,250)	(1,123)	(1,656)	(1,418)
Issuance of common stock in an initial public offering (net of issuance costs of $3,051).....				
Net loss.....				
Balance, June 30, 1999.....		$	$	$

	COMMON STOCK		SUBSCRIPTIONS /NOTES RECEIVABLE FROM	UNEARNED COMPEN-	ACCUMULATED	
	SHARES	AMOUNT	SHAREHOLDERS	SATION	DEFICIT	TOTAL
Common stock issued to founding shareholders.....	5,388,000					
Common stock issued for merger.....	612,000					
Sales of Series A Convertible Preferred Stock, (net of issuance costs of $77).....			$(90)			$ 1,033
Issuance of Series A Convertible Preferred Stock upon payment of subscription receivable from shareholder.....			30			30
Unearned compensation.....		$ 4		$ (4)		
Amortization of unearned compensation.....				4		4
Net loss.....					$ (330)	(330)
Balance, September 30, 1996...	6,000,000	4	(60)		(330)	737
Issuance of Series A Convertible Preferred Stock upon payment of subscription receivable from shareholders.....			60			60
Sales of Series B Convertible Preferred Stock.....						250
Value ascribed to warrants issued in conjunction with sale of Convertible Preferred Stock.....		42				
Value ascribed to warrants issued with note payable....		109				109
Unearned compensation.....		238		(238)		
Amortization of unearned compensation.....				69		69
Net loss.....					(1,456)	(1,456)
Balance, September 30, 1997...	6,000,000	393		(169)	(1,786)	(231)
Sales of Series B Convertible Preferred Stock, (net of issuance costs of $30).....						1,740
Sales of Series C Convertible Preferred Stock, (net of issuance costs of $7).....						1,493
Value ascribed to warrants issued in conjunction with sales of Convertible Preferred Stock.....		367				
Exercise of stock options by employees.....	215,750	29				29
Exercise of stock warrants....	5,750	5				5
Repurchase of common stock under shareholder agreement.....	(2,600,000)	(245)				(245)
Issuance of common stock under shareholder agreement.....	1,800,000	172				172
Conversion of note payable to common stock.....	600,000	209				209
Unearned compensation.....		1,945		(1,945)		
Amortization of unearned						

compensation.....				420		420
Net loss.....					(3,672)	(3,672)
Balance, September 30, 1998...	6,021,500	2,875		(1,694)	(5,458)	(80)
Exercise of stock options by employees.....	534,809	209				209
Exercise of stock warrants....	427,500	420				420
Note receivable from shareholder for exercise of stock options	150,000	750	(750)			
Unearned compensation.....		4,063		(4,063)		
Amortization of unearned compensation.....				1,797		1,797
Conversion of convertible preferred stock to common stock in connection with the initial public offering.....	8,114,376	11,885				7,688
Issuance of common stock in an initial public offering (net of issuance costs of $3,051).....	2,860,000	25,549				25,549
Net loss.....					(6,678)	(6,678)
Balance, June 30, 1999.....	18,108,185	$45,751	$(750)	$(3,960)	$(12,136)	$28,905

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

F5 NETWORKS, INC.

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	PERIOD FROM FEBRUARY 26, 1996 (INCEPTION) TO SEPTEMBER 30, 1996	YEAR ENDED SEPTEMBER 30,		NINE MONTHS ENDED JUNE 30,	
		1997	1998	1998	1999
				(UNAUDITED)	
Cash flows from operating activities:					
Net loss	$ (330)	$ (1,456)	$ (3,672)	$ (2,298)	$ (6,678)
Adjustments to reconcile net loss to net cash used in operating activities:					
Amortization of unearned compensation	4	69	420	205	1,797
Provision for doubtful accounts and sales returns			605	399	1,078
Depreciation and amortization	14	59	323	213	364
Non cash interest expense		6	12	12	
Changes in operating assets and liabilities:					
Accounts receivable	(1)	(328)	(2,308)	(1,108)	(4,904)
Inventories	(29)	(48)	(22)	(48)	(611)
Other current assets	(7)	(55)	(186)	(62)	(589)
Other assets	(6)	(48)	9	13	(119)
Accounts payable and accrued liabilities	37	194	806	762	4,100
Deferred revenue		184	604	181	1,674
Net cash used in operating activities	(318)	(1,423)	(3,409)	(1,731)	(3,888)
Cash flows from investing activities:					
Issuance of notes to officer			(10)	(10)	
Purchases of property and equipment	(150)	(98)	(731)	(425)	(1,531)
Additions to software development costs		(56)	(145)	(145)	
Proceeds from sale leaseback	30				
Net cash used in investing activities	(120)	(154)	(886)	(580)	(1,531)
Cash flows from financing activities:					
Proceeds from issuance of common stock in an initial public offering					25,549
Proceeds from issuance of Series A Convertible Preferred Stock	1,063	60			
Proceeds from issuance of Series B Convertible Preferred Stock		250	1,235	1,235	
Proceeds from issuance of Series C Convertible Preferred Stock			1,493	1,493	
Proceeds from issuance of Series D Redeemable Convertible Preferred Stock			7,688		
Proceeds from the exercise of stock options and warrants			34	28	629
Repurchase of common stock under shareholder agreement			(245)	(245)	
Proceeds from issuance of common stock under shareholder agreement			172	172	
Proceeds from line of credit			825	1,075	
Repayments of line of credit			(825)	(825)	
Proceeds from issuance of long-term debt		800			
Principal payments on capital lease obligations	(1)	(14)	(19)	(16)	(17)
Net cash provided by financing activities	1,062	1,096	10,358	2,917	26,161
Net increase (decrease) in cash and cash equivalents	624	(481)	6,063	606	20,742
Cash and cash equivalents, at beginning of year	--	624	143	143	6,206
Cash and cash equivalents, at end of year	$ 624	$ 143	$ 6,206	$ 749	$ 26,948

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

NOTES TO FINANCIAL STATEMENTS

1. THE COMPANY AND BASIS OF PRESENTATION:

F5 Networks, Inc. (formerly F5 Labs, Inc.) (the "Company") was incorporated on February 26, 1996 in the State of Washington.

F5 is a leading provider of integrated Internet traffic management solutions designed to improve the availability and performance of mission-critical Internet-based servers and applications. The Company's proprietary software-based solutions monitor and manage local and geographically dispersed servers and intelligently direct traffic to the server best able to handle a user's request.

The Company purchases material component parts and certain licensed software from suppliers and generally contracts with third parties for the assembly of products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 expenses during the reporting period. Actual results could differ from those estimates.

UNAUDITED INTERIM FINANCIAL STATEMENTS

In the opinion of the Company's management, the June 30, 1998 unaudited interim financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial statements. All references hereinafter to June 30, 1998 amounts are based on unaudited information.

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Company considers all highly liquid investment securities with a maturity from the date of purchase of three months or less to be cash equivalents and investment securities with a weighted average maturity from the date of purchase of more than three months but less than one year to be short-term investments. As of June 30, 1999, the Company did not hold any short-term investments within its investment portfolio.

CONCENTRATION OF CREDIT RISK

The Company places its temporary cash investments with major financial institutions. As of June 30, 1999, all of the Company's temporary cash investments were placed with four institutions.

The Company's customers are from diverse industries and geographic locations. Net revenues from international customers are denominated in U.S. Dollars and were approximately $0, $15,000 and $172,000 in the period from February 26, 1996 (inception) to September 30, 1996, and the years ended September 30, 1997 and 1998, respectively and $172,000 and $1.0 million for the nine months ended June 30, 1998 and 1999. For the nine months ended June 30, 1999, one customer accounted for 21.7% of net revenues. During the period from February 26, 1996 (inception) to September 30, 1996, the years ended September 30, 1997 and 1998, and the nine months ended June 30, 1998, no single customer accounted for more than 10% of the Company's net revenues. At June 30, 1999, one

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED) customer represented 29.4% of accounts receivable. At September 30, 1997 and 1998, there were no significant accounts receivable from a single customer. The Company does not require collateral to support credit sales. Allowances are maintained for potential credit losses and sales returns.

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).

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Equipment under capital leases is stated at the lower of the present value of the minimum lease payments discounted at the Company's incremental borrowing rate at the beginning of the lease term or fair value at the inception of the lease. Depreciation of property and equipment and amortization of capital leases are provided on the straight-line method over the estimated useful lives of the assets of 2 to 5 years. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the improvements.

The cost of normal maintenance and repairs is charged to expense as incurred and expenditures for major improvements are capitalized at cost. Gains or losses on the disposition of assets in the normal course of business are reflected in the results of operations at the time of disposal.

SOFTWARE DEVELOPMENT COSTS

Software development costs incurred in conjunction with product development are charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs are capitalized and reported at the lower of unamortized cost or net realizable value of each product. The establishment of technological feasibility and the on-going assessment of recoverability of costs require considerable judgment by the Company with respect to certain internal and external factors, including, but not limited to, anticipated future gross product revenues, estimated economic life and changes in hardware and software technology. The Company amortizes capitalized software costs using the straight-line method over the estimated economic life of the product, generally two years.

VALUATION OF LONG-LIVED ASSETS

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including, but not limited to, property and equipment and other assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from the asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED) 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, 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. 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.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was $0, $0 and $256,000 for the period from February 26, 1996 (inception) to September 30, 1996 and the years ended September 30, 1997 and 1998, respectively, and $142,000 and $794,000, for the nine months ended June 30, 1998 and 1999, respectively.

INCOME TAXES

The Company accounts for income taxes under the liability method of accounting. Under the liability method, deferred taxes are determined based on the differences between the financial statement and tax bases of assets and liabilities at enacted tax rates in effect in the year in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to amounts expected to be realized.

STOCK-BASED COMPENSATION

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees" and complies with the disclosure provisions of Statement of Financial Accounting Standards No.
123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation." Under APB No. 25, compensation expense is based on the difference, if any, on the date of the grant, between the deemed fair value of the Company's stock and the exercise price of the option. The unearned compensation is being amortized in accordance with Financial Accounting Standards Board Interpretation No. 28 on an accelerated basis over the vesting period of the individual options. The Company accounts for equity instruments issued to nonemployees in accordance with the provisions of SFAS No. 123.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED) FAIR VALUE OF FINANCIAL INSTRUMENTS

For certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, recorded amounts approximate market value.

NET LOSS PER SHARE

Effective October 1, 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS No. 128"), "Earnings per Share." SFAS No. 128 requires the presentation of basic and diluted earnings (loss) per share for all periods presented.

In accordance with SFAS No. 128, basic net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period, except that pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 98, if applicable, common shares issued in each of the periods presented for nominal consideration have been included in the calculation as if they were outstanding for all periods presented. Pro forma basic and diluted net loss per share have been computed as described above and also include the weighted average convertible preferred stock outstanding as if those shares were converted to common stock at the time of issuance.

Dilutive securities include options, warrants and preferred stock on an as if converted basis. Potentially dilutive securities totaling 3,636,000 for the period from February 26, 1996 (inception) to September 30, 1996 and 5,066,000 and 12,819,126 for the years ended September 30, 1997 and 1998, respectively, and 10,582,126 and 4,581,762 for the nine months ended June 30, 1998 (unaudited) and 1999, respectively, were excluded from historical basic and diluted loss per share because of their anti-dilutive effect.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." This statement requires that changes in comprehensive income be shown in a financial statement that is displayed with the same prominence as other financial statements. The statement is effective for fiscal years beginning after December 15, 1997. Reclassification for earlier periods is required for comparative purposes. The Company does not have any material items of comprehensive income, other than net loss, and accordingly, the statement does not have any material impact on reported financial position or results of operations.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information." This statement supersedes Statement of Financial Accounting Standards No. 14, "Financial Reporting for Segments of a Business Enterprise." This statement includes requirements to report selected segment information quarterly and entity-wide disclosures about products and services, major customers, and geographic areas in which the entity holds significant assets and reports significant revenues. The statement is effective for fiscal year 1999. The Company operates in one segment providing integrated Internet traffic management solutions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED) 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 March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which establishes guidelines for the accounting for the costs of all computer software developed or obtained for internal use. This statement is effective for fiscal years beginning after December 15, 1998. The Company does not expect the statement to have a material impact on its financial statements.

3. PROPERTY AND EQUIPMENT:

At September 30, 1997 and 1998 and June 30, 1999, property and equipment consist of the following:

	SEPTEMBER 30,		JUNE 30,
	1997	1998	1999
	(IN THOUSANDS)		
Computer equipment	$ 161	$ 529	$ 1,128
Equipment under capital leases	54	54	54
Office furniture and equipment	17	293	574
Leasehold improvements	29	116	330
Work in process			437
	261	992	2,523
Accumulated amortization for equipment under capital leases	(15)	(33)	(46)
Accumulated depreciation	(50)	(277)	(552)
	$ 196	$ 682	$ 1,925

Depreciation expense was approximately $14,000 for the period from February 26, 1996 (inception) to September 30, 1996 and $55,000 and $244,000 for the years ended September 30, 1997 and 1998, respectively. Depreciation expense was approximately $161,000 and $289,000 for the nine months ended June 30, 1998 (unaudited) and 1999, respectively.

4. ACCRUED LIABILITIES:

At September 30, 1997 and 1998 and June 30, 1999, accrued liabilities consist of the following:

	SEPTEMBER 30,		JUNE 30,
	1997	1998	1999
	(IN THOUSANDS)		
Accrued payroll and benefits	$ 37	$ 237	$ 871
Accrued sales and use taxes	17	141	287
Other	60	80	421
	$ 114	$ 458	$ 1,579

5. INCOME TAXES:

The provisions for federal income tax differs from the amount computed by applying the statutory federal income tax rate for the following reasons:

	SEPTEMBER 30,		JUNE 30,
	1997	1998	1999
Federal income tax benefit at statutory rate	(34)%	(34)%	(34)%
Non-deductible stock compensation	1%	3%	7%
Other		1	1
Change in valuation allowance	33%	30%	26%

Deferred tax assets and liabilities at September 30, 1997 and 1998 and June 30, 1999 consist of the following:

	SEPTEMBER 30,		JUNE 30,
	1997	1998	1999
Deferred tax assets:			
Net operating loss carryforwards	$ 583	$ 1,573	$ 3,000
Allowance for doubtful accounts		80	281
Accrued compensation and benefits	8	61	116
Depreciation		9	19
Total deferred tax assets	591	1,723	3,416
Deferred tax liabilities:			
Depreciation	(7)		
Amortization	(14)	(53)	(13)
Total deferred tax liabilities	(21)	(53)	(13)
	570	1,670	3,403
Valuation allowance	(570)	(1,670)	(3,403)
	$ 0	$ 0	$ 0

5. INCOME TAXES: (CONTINUED) Differences between the tax bases of assets and liabilities and their financial statement amounts are reflected as deferred income taxes based on enacted tax rates. The net deferred tax assets have been reduced by a full valuation allowance at September 30, 1997 and 1998 and June 30, 1999 based on management's determination that the recognition criteria for realization have not been met.

As of June 30, 1999, the Company had net operating loss carryforwards of approximately $8.8 million, to offset future taxable income for Federal income tax purposes, which will expire between 2011 and 2019. Should certain changes in the Company's ownership occur, there could be a limitation on the utilization of its net operating losses.

6. LINES OF CREDIT:

In July 1998, the Company entered into a line of credit which allows the Company to borrow up to the lesser of $2.0 million or 75% of the Company's eligible accounts receivable. The terms of the agreement call for monthly interest payments, interest at the prime rate plus 0.5% and a due date of August 31, 1999. This line of credit was not renewed upon expiration. The line of credit contains certain covenants, including, but not limited to, meeting minimum financial ratios and earnings. No amount was outstanding under the line of credit at June 30, 1999.

7. LONG-TERM DEBT:

In March and August 1997, the Company entered into $500,000 and $300,000 convertible note agreements with a preferred shareholder, respectively. These notes bore simple interest at 11% annually, matured 18 months from the date of the respective agreements and were collateralized by substantially all of the Company's assets. In October 1997, the Company settled the $500,000 note and related accrued interest by issuing to the preferred shareholder 312,500 shares of the Company's Series B Convertible Preferred Stock. In November 1997, the preferred shareholder converted the $300,000 note and related accrued interest into 600,000 shares of the Company's common stock. In conjunction with these notes, the Company issued to the preferred shareholder warrants to purchase 100,000 and 600,000 shares of the Company's common stock at $0.64 and $0.50 per share, respectively. The aggregate value assigned to the warrants issued with these notes payable of $0 and $109,000, respectively, was reflected as both a debt discount and an increase to common stock. The debt discount was accounted for as a component of interest expense using a method which approximated the interest method.

8. SHAREHOLDERS' EQUITY:

A. PREFERRED STOCK

In connection with the Company's initial public offering (note 8c), all outstanding shares of the Company's Convertible Preferred Stock and Redeemable Convertible Preferred Stock were converted into an aggregate of 8,114,376 shares of the Company's common stock.

The Series A Convertible Preferred Stock is non-cumulative and convertible into six shares of common stock, subject to adjustment upon the occurrence of certain events provided for in the Company's restated articles of incorporation. The Series A Convertible Preferred Stock is mandatorily convertible into common stock upon completion of an initial public offering of the Company's common stock in which the price per share equals or exceeds $1.50 and gross proceeds equal or

8. SHAREHOLDERS' EQUITY: (CONTINUED) exceed $12.0 million, or when two-thirds of the shares of Series A Convertible Preferred Stock have been converted. The holders of the Series A Convertible Preferred Stock have certain voting rights and liquidation preferences equal to $3.00 per share.

In May 1996, the Company issued 370,000 shares of Series A Convertible Preferred Stock for an aggregate purchase price of $1.1 million. In conjunction with the issuance of the Company's Series A shares to a certain investor, the Company issued warrants, to which no value was assigned, to purchase 240,000 shares of the Company's common stock at $0.50 per share. On December 30, 1998, these warrants were exercised.

In addition, the Company entered into stock subscriptions for 30,000 shares of the Company's Series A Convertible Preferred Stock in exchange for notes receivable from certain investors for an aggregate of $90,000. These notes receivable bore interest at 9% per annum and had maturity periods ranging from 3 to 6 months from the date of the agreements. In August 1996, 10,000 shares of the Company's Series A Convertible Preferred Stock were issued upon payment in full of $30,000 principal value and accrued interest of a subscription agreement. In fiscal year 1997, the Company issued the remaining 20,000 shares under subscription upon payment in full of the remaining principal amount and accrued interest.

In September 1997, the Company issued 156,250 shares of Series B Convertible Preferred Stock for an aggregate purchase price of $250,000. In conjunction with this issuance, the Company issued warrants to purchase 187,500 shares of the Company's common stock at $0.80 per share. The Company has allocated approximately $42,000 of the purchase price as the value of these warrants. The Series B Convertible Preferred Stock is non-cumulative and convertible into two shares of the Company's common stock, subject to adjustment upon the occurrence of certain events provided for in the Company's amended and restated articles of incorporation. The Series B Convertible Preferred Stock is mandatorily convertible into common stock upon completion of an initial public offering of the Company's common stock in which the price per share equals or exceeds $3.20 and gross proceeds equal or exceed $8.0 million, or when two-thirds of the Series B shares have been converted. The holders of the Series B Convertible Preferred Stock have certain voting rights and liquidation preferences equal to $1.60 per share.

In October and November 1997, the Company issued an additional 1,093,750 shares of the Company's Series B Convertible Preferred Stock for an additional aggregate purchase price of $1.8 million, including conversion of the $500,000 note and accrued interest of approximately $20,000 from a preferred shareholder (see Note 7). In conjunction with this issuance, the Company issued warrants to purchase 1,312,500 shares of the Company's common stock at $0.80 per share. The Company has allocated approximately $292,000 of the purchase price of the Series B Convertible Preferred Stock as the value of these warrants.

In April 1998, the Company issued 156,250 shares of the Company's Series C Convertible Preferred Stock and warrants to purchase 187,500 shares of the Company's common stock at $1.60 per share for an aggregate purchase price of $1.5 million. The Company has allocated approximately $75,000 of the purchase price of the Series C Convertible Preferred Stock as the value of the warrants issued. On February 1, 1999 these warrants were exercised. Shares of the Company's Series C Convertible Preferred Stock are non-cumulative and convertible into six shares of the Company's common stock, subject to the occurrence of certain events provided for in the Company's amended and restated articles of incorporation. The shares are mandatorily convertible upon the completion of an initial

8. SHAREHOLDERS' EQUITY: (CONTINUED) public offering in which the per share price is equal to or exceeds $3.20 and gross proceeds equal or exceed $8.0 million, or when two-thirds of the Series C Convertible Preferred shares have been converted. The holders of the Series C Convertible Preferred Stock have certain voting rights and liquidation preferences equal to $9.60 per share.

In August 1998, the Company issued 1,138,438 shares of Series D Redeemable Convertible Preferred Stock for an aggregate purchase price of approximately $7.7 million. Holders of the Company's Series D Redeemable Convertible Preferred Stock are entitled to receive an annual non-cumulative dividend of $0.68 per share, subject to declaration by the Board of Directors, at their sole discretion. The shares are convertible into two shares of the Company's Common Stock, subject to the occurrence of certain events provided for in the Company's amended and restated articles of incorporation. The shares are mandatorily convertible into common stock upon the completion of an initial public offering in which the per share price equals or exceeds $5.00 and gross proceeds are equal to or exceed $15.0 million. The Company is required to redeem all outstanding shares of the Series D Redeemable Convertible Preferred Stock at $6.79 per share, plus all declared and unpaid dividends, either in August 2005 or in three annual installments beginning August 2003 at the request of holders of at least two-thirds of the outstanding Series D Redeemable Convertible Preferred Stock. The holders of the Series D Redeemable Convertible Preferred Stock have certain voting rights and liquidation preferences equal to $13.58 per share.

B. COMMON STOCK

The Company issued 5,388,000 shares of common stock on February 26, 1996, the date of its incorporation. In conjunction with the Company's formation it entered into a merger with Ambiente Inc. ("Ambiente") which was consummated in March 1996. Pursuant to the merger agreement, the Company issued 612,000 shares of common stock to the shareholders of Ambiente. Through the date of the merger, Ambiente had no significant operations, assets or liabilities, other than software under development that had not yet achieved technological feasibility. Accordingly, no value was assigned to the stock issued.

On December 2, 1996 and January 27, 1999 the Company authorized a 3 for 1 and 2 for 1 stock split, in the form of stock dividends, respectively on the Company's common stock. All references to number of shares and per share amounts of the Company's common stock in the accompanying financial statements and notes have been restated to reflect these stock splits.

Upon incorporation of the Company, the founding shareholders entered into an agreement (as amended, the "Shareholder Agreement") which, among other things, called for a mandatory offer to sell the shareholders' stock, first to the remaining founders, then to the Company, in the event of termination of their employment with the Company. In February 1998, one of the founders, who was also an officer of the Company, and the Company purchased 2,600,000 shares of the Company's common stock under the Shareholder Agreement from two founders who had terminated their employment. The Company facilitated the transactions between the shareholders under the Shareholder Agreement, retaining 800,000 of the repurchased shares.

In February 1999, the Company issued a warrant to purchase up to 12,500 shares of the Company's common stock at $8.00 per share to a certain customer in conjunction with a sale of products.

8. SHAREHOLDERS' EQUITY: (CONTINUED)
C. INITIAL PUBLIC OFFERING

On June 4, 1999, the Company issued 2,860,000 shares of its common stock at an initial public offering price of $10.00 per share. Also sold in this offering were 590,000 shares held by selling shareholders, including 450,000 shares sold upon the exercise of the underwriters' overallotment option. The net proceeds to the Company from the offering, net of offering costs of approximately $3.1 million were approximately $25.5 million. Concurrent with the initial public offering, each outstanding share of the Company's convertible preferred stock was automatically converted into common stock.

The Company has issued warrants to purchase common stock to investors and to a certain customer. The aggregate consideration for each respective transaction was allocated to securities or debt and the warrants based on their relative fair values. All the warrants were exercisable at the time of issuance. The assumptions applied in the determination of the fair value of warrants issued were (i) use of the Black-Scholes pricing model, (ii) risk free interest rates ranging from 5.2% to 6.2%, (iii) expected volatility rates of approximately 70% (based on disclosed expected volatility rates of comparable companies) and actual volatility subsequent to the initial public offering, (iv) assumed expected lives of 4 to 10 years, and (v) no expected dividends.

At June 30, 1999, warrants outstanding were as follows:

WARRANT TO PURCHASE	SHARES OF COMMON STOCK	EXERCISE PRICE	AGGREGATE EXERCISE PRICE
Common stock	100,000	$ 0.64	$ 64,000
Common stock	600,000	0.50	300,000
Common stock	1,500,000	0.80	1,200,000
Common stock	12,500	8.00	100,000
	2,212,500		$ 1,664,000

D. EQUITY INCENTIVE PLANS

In January 1997, Company's shareholders approved the Amended and Restated 1996 Stock Option Plan (the "1996 Employee Plan") that provides for discretionary grants of non-qualified and incentive stock options for employees and other service providers, and the Amended and Restated Directors' Nonqualified Stock Option Plan (the "1996 Directors' Plan"), which provides for automatic grants of non-qualified stock options to eligible non-employee directors. A total of 2,600,000 shares of common stock has been reserved for issuance under the 1996 Employee Plan and the 1996 Directors' Plan. Employees' stock options typically vest over a period of four years from the grant date; director options typically vest over a period of three years from the grant date. All options under the 1996 Employee Plan and the 1996 Directors' Plan expire 10 years after the grant date. In August 1997, the Company repriced all existing employee options to an exercise price of $0.05 per share. This repricing was accounted for as a cancellation of existing stock options and grant of new stock options. All outstanding, unvested options under the 1996 Employee Plan and the 1996 Director's Plan vest in full upon a change in control of the Company. The Company does not intend to grant any additional options under either of these Plans.

8. SHAREHOLDERS' EQUITY: (CONTINUED) In November 1998, the Company's shareholders adopted the 1998 Equity Incentive Plan (the "1998 Plan"), which provides for discretionary grants of non-qualified and incentive stock options, stock purchase awards and stock bonuses for employees and other service providers. A total of 800,000 shares of common stock have been reserved for issuance under the 1998 Plan. Stock options granted under this plan typically vest over a period of four years from the grant date, and expire 10 years from the grant date. The Company has not granted any stock purchase awards or stock bonuses under the 1998 Plan. Upon certain changes in control of the Company, the surviving entity will either assume or substitute all outstanding options or stock awards under the 1998 Plan. If the surviving entity determines not to assume or substitute such options or awards, then with respect to persons whose service with the Company or an affiliate of the Company has not terminated before a change in control, the vesting of 50% of these options or stock awards (and the time during which these awards may be exercised) will accelerate and the options or awards terminated if not exercised before the change in control.

The Company applies the accounting provisions prescribed in APB No. 25 and related interpretations. In certain instances, the Company has issued stock options with an exercise price less than the deemed fair value of the Company's common stock at the date of grant. Accordingly, total compensation costs related to these stock options of approximately $238,000 and $1.9 million was deferred during fiscal years 1997 and 1998, respectively, and $1.1 million and $4.1 million for the nine months ended June 30, 1998 (unaudited) and 1999, respectively, and is being amortized over the vesting period of the options, generally four years. Amortization of unearned compensation costs of approximately $4,000 has been recognized as an expense for the period from February 26, 1996 (inception) to September 30, 1996, $69,000 and $420,000 for the years ended September 30, 1997 and 1998, respectively. Amortization of unearned compensation amounted to $205,000 and $1.8 million for the nine months ended June 30, 1998 (unaudited) and 1999, respectively.

8. SHAREHOLDERS' EQUITY: (CONTINUED) A summary of stock option transactions are as follows:

	OUTSTANDING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Inception		
Options granted	1,146,000	$ 0.38
Options canceled	(150,000)	0.34
Balances at September 30, 1996	996,000	0.38
Options granted	1,349,000	0.15
Options canceled	(1,119,000)	0.36
Balances at September 30, 1997	1,226,000	0.15
Options granted	1,543,000	0.29
Options exercised	(215,750)	0.11
Options canceled	(476,000)	0.11
Balances at September 30, 1998	2,077,250	0.26
Options granted	1,171,121	3.53
Options exercised	(684,809)	1.36
Options canceled	(194,300)	1.09
Balances at June 30, 1999	2,369,262	1.50

Pro forma information regarding net loss is required by SFAS No. 123, and has been determined as if the Company had accounted for its stock options under the minimum value method of that statement. The fair value of each option is estimated at the date of grant with the following weighted-average assumptions used for grants issued for the period from February 26, 1996 (inception) to September 30, 1996, for the years ended September 30, 1997 and 1998, and for the nine months ended June 30, 1999:

	PERIOD FROM FEBRUARY 26, 1996 (INCEPTION) TO SEPTEMBER 30, 1996	YEAR ENDED SEPTEMBER 30,		NINE MONTHS ENDED JUNE 30, 1999
		1997	1998	
Risk-free interest rate	6.21%	6.21%	4.62%	5.47%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Expected term of option	4 years	4 years	4 years	4 years
Volatility subsequent to initial public offering				69.87%

8. SHAREHOLDERS' EQUITY: (CONTINUED) For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting period. The Company's net loss would have been as indicated in the pro forma table below:

	PERIOD FROM FEBRUARY 26, 1996 (INCEPTION) TO SEPTEMBER 30, 1996	YEAR ENDED SEPTEMBER 30, 1997	YEAR ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED JUNE 30, 1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Net loss--as reported	$ (330)	$ (1,456)	$ (3,672)	$ (6,678)
Net loss--pro forma	(331)	(1,468)	(3,742)	(7,057)
Net loss per share--as reported	(0.06)	(0.24)	(0.60)	(0.88)
Net loss per share--pro forma	(0.06)	(0.24)	(0.61)	(0.93)

The weighted-average fair values and weighted-average exercise prices per share at the date of grant for options granted during the period from February 26, 1996 (inception) to September 30, 1996, for the years ended September 30, 1997 and 1998 and for the nine months ended June 30, 1999 were as follows:

	PERIOD FROM FEBRUARY 26, 1996 (INCEPTION) TO SEPTEMBER 30, 1996	YEAR ENDED SEPTEMBER 30, 1997	YEAR ENDED SEPTEMBER 30, 1998	NINE MONTHS ENDED JUNE 30, 1999
Weighted-average fair value of options granted with exercise prices equal to the market value of the stock at the date of grant	$ 0.01	$ 0.01	$ 0.08	$ 2.79
Weighted-average exercise price of options granted with exercise prices equal to the market value of the stock at the date of grant	0.05	0.05	0.50	10.32
Weighted-average fair value of options granted with exercise prices less than the market value of the stock at the date of grant		0.41	1.60	4.54
Weighted-average exercise price of options granted with exercise prices less than the market value of the stock at the date of grant	0.05	0.05	0.28	1.13

8. SHAREHOLDERS' EQUITY: (CONTINUED) The following table summarizes information about fixed-price options outstanding at June 30, 1999 as follows:

EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISABLE PRICE
$0.05	751,096	8.28	$ 0.05	33,001	$ 0.05
$0.25-0.50	472,449	8.58	$ 0.32	112,700	$ 0.44
$0.75-1.50	841,544	9.33	$ 1.21	94,002	$ 1.15
$2.50-5.00	108,000	9.62	$ 3.14	833	$ 2.50
$8.00-10.00	174,348	9.83	$ 9.15	967	$ 8.11
$15.50-18.63	14,200	9.96	$ 16.71	5,000	$ 18.00
$19.38-27.88	7,625	9.97	$ 21.76		

1999 EMPLOYEE STOCK PURCHASE PLAN

In May 1999, the board of directors approved the adoption of the 1999 Employee Stock Purchase Plan (the "Purchase Plan"). A total of 1,000,000 shares of common stock has been reserved for issuance under the Purchase Plan. The Purchase Plan permits eligible employees to acquire shares of the Company's common stock through periodic payroll deductions of up to 15% of base compensation. No employee may purchase more than $25,000 worth of stock, determined at the fair market value of the shares at the time such option is granted, in one calendar year. The Purchase Plan will be implemented in a series of offering periods, each approximately 6 months in duration; provided, however, that the first offering period will commence on the effectiveness of the initial public offering and be approximately seven months in duration, ending on the last trading day on or before December 31, 1999. The price at which the common stock may be purchased is 85% of the lesser of the fair market value of the Company's common stock on the first day of the applicable offering period or on the last day of the respective purchase period.

9. COMMITMENTS:

The Company is committed under non-cancelable operating leases for its current and former office space, which expire in 2002 and 1999, respectively. During 1998, the Company leased its former office space under a non-cancelable sub-leasing arrangement for amounts equal to the liability of the commitment, which expires in 1999. Additionally, the Company is committed under non-cancelable

9. COMMITMENTS: (CONTINUED) operating leases for certain office equipment. Minimum operating lease payments and sub-leasing receipts for future fiscal years, as of June 30, 1999, are approximately as follows:

	OPERATING LEASE PAYMENTS	OPERATING SUBLEASE RECEIPTS
	(IN THOUSANDS)	
1999	$ 345	$18
2000	537	
2001	587	
2002	618	
Thereafter	1,134	
		--
	$3,221	$18
		--
		--

In January 1999, the Company amended its operating lease to increase the amount of its current office space and extend the term through 2004. This increased the minimum operating lease payments to approximately $2.1 million.

Rent expense under noncancelable operating leases amounted to approximately $7,000 for the period from February 26, 1996 (inception) to September 30, 1996, approximately $38,000 and $145,000 for the years ended September 30, 1997 and 1998, respectively. Rent expense amounted to approximately $98,000 and $308,000 for the nine months ended June 30, 1998 (unaudited) and 1999, respectively.

10. RELATED PARTY TRANSACTIONS:

In March 1999, the Company issued 150,000 shares of common stock to an officer of the Company in exchange for a note receivable. These shares were acquired by exercising stock options that vest over a period of four years. The note bears interest at a rate of 4.83%, is collateralized by the shares, partially guaranteed by the officer and is due in 2003. Under the pledge agreement, the Company has the obligation to repurchase any remaining unvested shares, and the note becomes due upon the officer's termination. Further, the shares may not be transferred until they are vested and paid for.

11. SUBSEQUENT EVENTS

In September 1999, the Board of Directors authorized management of the Company to file a Registration Statement with the Securities and Exchange Commission covering the proposed sale of additional shares of its common stock to the public.

In July of 1999 the Company amended their existing lease of office space to add an additional 8,000 square feet, for a term of 84 months. The annual cost of this additional lease is approximately $164,000, subject to annual adjustments. Also in July of 1999 the Company entered into a new lease for approximately 84,000 square feet of office space in a building which is currently under construction. This lease will commence in July 1, 2000 with a term of 12 years. The annual cost of this lease is approximately $2,000,000, subject to annual adjustments. Also in July 1999, the Company entered into an outstanding secured irrevocable letter of credit with a bank in the amount of $2.5 million which collateralizes the Company's obligation to fund its lease commitment.

12. SUPPLEMENTAL CASH FLOW INFORMATION:

Supplemental disclosure of cash flow information is summarized below for the years ended September 30, 1997 and 1998, for the period from February 26, 1996 (inception) to September 30, 1996, and for the nine months ended June 30, 1998 (unaudited) and 1999:

	PERIOD FROM FEBRUARY 26, 1996 (INCEPTION) TO SEPTEMBER 30, 1996	YEAR ENDED SEPTEMBER 30,		NINE MONTHS ENDED JUNE 30,	
		1997	1998	1998	1999
		(IN THOUSANDS)		(UNAUDITED)	
Noncash investing and financing activities:					
Equipment obtained through capital lease	$43	$ 11			
Disposal of property and equipment for note and relief of accounts payable	10				
Deferred gain on sale leaseback	5				
Series A Convertible Preferred Stock issued for note	90				
Conversion of note payable and related accrued interest to Series B Convertible Preferred Stock			$520	$520	
Value ascribed to warrants in conjunction with sale of Convertible Preferred Stock		42	367	367	
Value ascribed to warrants issued with note payable		109			
Conversion of note payable to common stock			209	209	
Note receivable from shareholder for exercise of options					$750
Unearned compensation	4	238	1,945	1,098	4,063
Write-off of accounts receivable			30	30	78
Sales returns			193	117	556
Cash paid for interest		19	30	16	2

2,000,000 SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

HAMBRECHT & QUIST

BANCBOSTON ROBERTSON STEPHENS

BEAR, STEARNS & CO. INC.

DAIN RAUSCHER WESSELS
A DIVISION OF DAIN RAUSCHER INCORPORATED

, 1999

YOU SHOULD RELY ONLY ON INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. WE ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, SHARES OF COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF OUR COMMON STOCK.

NO ACTION IS BEING TAKEN IN ANY JURISDICTION OUTSIDE THE UNITED STATES TO PERMIT A PUBLIC OFFERING OF THE COMMON STOCK OR POSSESSION OR DISTRIBUTION OF THIS PROSPECTUS IN ANY SUCH JURISDICTION. PERSONS WHO COME INTO POSSESSION OF THIS PROSPECTUS IN JURISDICTIONS OUTSIDE THE UNITED STATES ARE REQUIRED TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY RESTRICTIONS AS TO THIS OFFERING AND THE DISTRIBUTION OF THIS PROSPECTUS APPLICABLE TO THAT JURISDICTION.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by the Company in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee, the NASD filing fee and the Nasdaq National Market listing fee.

SEC registration fee	$ 41,881
NASD filing fee	15,565
Nasdaq National Market listing fee	10,000
Printing and engraving costs	100,000
Legal fees and expenses	75,000
Accounting fees and expenses	75,000
Blue Sky fees and expenses	5,000
Transfer Agent and Registrar fees	5,000
Miscellaneous expenses	22,554
Total	$ 350,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sections 23B.08.500 through 23.B.08.600 of the Washington Business Corporation Act (the "WBCA") authorize a court to award, or a corporation's board of directors to grant, indemnification to directors and officers on terms sufficiently broad to permit indemnification under certain circumstances for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"). The directors and officers of the registrant also may be indemnified against liability they may incur for serving in that capacity pursuant to a liability insurance policy maintained by the registrant for this purpose.

Section 23B.08.320 of the WBCA authorizes a corporation to limit a director's liability to the corporation or its shareholders for monetary damages for acts or omissions as a director, except in certain circumstances involving intentional misconduct, knowing violations of law or illegal corporate loans or distributions, or any transaction from which the director personally receives a benefit in money, property or services to which the director is not legally entitled. The registrant's second amended and restated articles of incorporation, (Exhibit 3.2 hereto) contains provisions implementing, to the fullest extent permitted by Washington law, these limitations on a director's liability to the registrant and its shareholders.

The registrant has entered into certain indemnification agreements with its directors and certain of its officers, the form of which is attached as Exhibit 10.1 to this registration statement and incorporated herein by reference. The indemnification agreements provide the registrant's directors and certain of its officers with indemnification to the maximum extent permitted by the WBCA.

The underwriting agreement (Exhibit 1.1 hereto) provides for indemnification by the underwriters of the registrant and its executive officers and directors and by the registrant of the Underwriters, for certain liabilities, including liabilities arising under the Securities Act, in connection with matters specifically provided in writing by the underwriters for inclusion in this registration statement.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the past three years, F5 has issued unregistered securities to a limited number of persons, as described below. None of these transactions involved any underwriters, underwriting discounts or

commissions, or any public offering, and F5 believes that each transaction was exempt from the registration requirements of the Securities Act by virtue of
Section 4(2) thereof, Regulation D promulgated thereunder or Rule 701 pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and instruments issued in these transactions. All recipients had adequate access to information about F5, through their relationships with F5.

Since March 31, 1996, F5 has issued and sold the following unregistered securities:

(1) From March 31, 1996 to July 2, 1999, F5 granted stock options to purchase an aggregate of 5,019,448 shares of common stock at exercise prices ranging from $0.05 to $37.00 per share to employees, consultants, directors and other service providers pursuant to F5's 1998 Equity Incentive Plan, Amended and Restated 1996 Stock Option Plan and Amended and Restated Directors' Nonqualified Stock Option Plan. Prior to July 2, 1999 (the effective date of F5's Registration Statement on Form S-8) options to purchase 901,341 shares were exercised.

(2) In May, August and December 1996 and April 1997, F5 sold an aggregate of 400,000 shares of Series A convertible preferred stock to 31 private investors at an aggregate purchase price of $1,200,000 or $3.00 per share.

(3) From May 15, 1996 to February 25, 1999, F5 issued warrants to four private investors, one consultant and one customer to purchase an aggregate of 2,645,750 shares of common stock with a weighted average exercise price of $0.79.

(4) In September, October and November 1997, F5 sold an aggregate of 1,250,000 shares of Series B convertible preferred stock to three private investors at an aggregate purchase price of $2,000,000 or $1.60 per share.

(5) On April 15, 1998, F5 sold an aggregate of 156,250 shares of Series C convertible preferred stock to one private investor at an aggregate purchase price of $1,500,000 or $9.60 per share.

(6) On August 21, 1998, F5 sold an aggregate of 1,138,438 shares of Series D redeemable convertible preferred stock to three private investors at an aggregate purchase price of $7,729,994 or $6.79 per share.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

1.1	Form of Underwriting Agreement.
3.1*	Amended and Restated Articles of Incorporation of the Registrant, as amended.
3.2*	Bylaws of the Registrant, as currently in effect.
4.1*	Specimen Common Stock Certificate.
5.1	Opinion of Heller Ehrman White & McAuliffe.
10.1*	Form of Indemnification Agreement between the Registrant and each of its directors and certain of its officers.
10.2*	1998 Equity Incentive Plan.
10.3*	Form of Option Agreement under the 1998 Equity Incentive Plan.
10.4*	1999 Employee Stock Purchase Plan.
10.5*	Amended and Restated Directors' Nonqualified Stock Option Plan.
10.6*	Form of Option Agreement under the Amended and Restated Directors' Nonqualified Stock Option Plan.

10.7*	Amended and Restated 1996 Stock Option Plan.
10.8*	Form of Option Agreement under the Amended and Restated 1996 Stock Option Plan.
10.9*	1999 Non-Employee Directors' Stock Option Plan.
10.10*	Form of Option Agreement under 1999 Non-Employee Directors' Stock Option Plan.
10.11*	Lease Agreement, dated October 9, 1997, between the Registrant and First Avenue West Building L.L.C.
10.12*	First Amendment to Lease Agreement, dated July 23, 1998 between Registrant and First Avenue West Building L.L.C.
10.13*	Second Amendment to Lease Agreement, dated September 30, 1998 between Registrant and First Avenue West Building L.L.C.
10.14*	Third Amendment to Lease Agreement, dated January 6, 1999, between the Registrant and First Avenue West Building L.L.C.
10.15	Fourth Amendment to Lease Agreement, dated July 2, 1999 between the Registrant and First Avenue West Building L.L.C.
10.16	Fifth Amemdment to Lease Agreement, dated July 5, 1999 between the Registrant and First Avenue West Building L.L.C.
10.17	Office Lease Agreement dated July 31, 1999, between Registrant and 401 Elliott West LLC
10.18*	Agreement, dated February 19, 1999, between the Registrant and Steven Goldman.
10.19*	Form of Common Stock Purchase Warrant.
10.20*	Common Stock Warrant, dated March 15, 1997 between Registrant and Brittania Holdings Limited.
10.21*	Common Stock Warrant, dated August 5, 1997, between Registrant and Brittania Holdings Limited.
10.22*	Common Stock Warrant, dated February 25, 1999, between Registrant and PSINet, Inc., as amended.
10.23*	Investor Rights Agreement, dated August 21, 1998, between Registrant and certain holders of the Registrant's Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock.
10.24*	Promissory Term Note, dated January 6, 1998, between Registrant and Jeffrey S. Hussey, as amended.
10.25*	Early Exercise Stock Purchase Agreement, dated March 10, 1999, between Registrant and Robert J. Chamberlain.
23.1	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
23.2	Consent of Counsel (included in Exhibit 5.1).
24.1	Power of Attorney (contained on signature page).
27.1	Financial Data Schedule.

* Incorporated by reference from Registration Statement on Form S-1, File No. 333-75817

ITEM 17. UNDERTAKINGS

The registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in the denominations and registered in the names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this registration statement or otherwise, the registrant has been advised that in

the opinion of the Securities and Exchange Commission this indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against these liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by a director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether this indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of this issue.

The registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act will be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of these securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereinto duly authorized, in the City of Seattle, State of Washington, on the 9th day of September, 1999.

F5 NETWORKS, INC.

By: /s/ JEFFREY S. HUSSEY
Jeffrey S. Hussey
CHIEF EXECUTIVE OFFICER AND PRESIDENT

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints Jeffrey S. Hussey and Robert J. Chamberlain, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his true and lawful attorney-in-fact and agent to act in his name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file, any and all amendments to this Registration Statement, including any and all post-effective amendments and amendments thereto any registration statement relating to the same offering as this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ JEFFREY S. HUSSEY Jeffrey S. Hussey	Chairman of the Board, Chief Executive Officer and President (Principal Executive Officer)	September 9, 1999
/s/ ROBERT J. CHAMBERLAIN Robert J. Chamberlain	Vice President of Finance, Chief Financial Officer and Treasurer (Principal Finance and Accounting Officer)	September 9, 1999
/s/ CARLTON G. AMDAHL Carlton G. Amdahl	Director	September 9, 1999

SIGNATURE	TITLE	DATE
/s/ KARL D. GUELICH Karl D. Guelich	Director	September 9, 1999
/s/ ALAN J. HIGGINSON Alan J. Higginson	Director	September 9, 1999
/s/ SONJA L. HOEL Sonja L. Hoel	Director	September 9, 1999
/s/ KENT L. JOHNSON Kent L. Johnson	Director	September 9, 1999

EXHIBIT INDEX

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27.1 Financial Data Schedule.

* Incorporated by reference from Registration Statement on Form S-1, File No.

333-75817

F5 NETWORKS, INC.

2,000,000 SHARES (1)

COMMON STOCK

UNDERWRITING AGREEMENT

September ___, 1999

HAMBRECHT & QUIST LLC
BANCBOSTON ROBERTSON STEPHENS INC
BEAR, STEARNS & CO., INC.
DAIN RAUSCHER WESSELS, a division of Dain Rauscher Incorporated c/o Hambrecht & Quist LLC
One Bush Street
San Francisco, CA 94104

Ladies and Gentlemen:

F5 Networks, Inc., a Washington corporation (herein called the Company), proposes to issue and sell 500,000 shares of its authorized but unissued Common Stock, no par value (herein called the "Common Stock"), and the shareholders of the Company named in part A of Schedule II hereto (herein collectively called the "Primary Selling Securityholders," which term shall include, except where otherwise noted, each shareholder named as an Affiliated Selling Securityholder in Schedule II hereto, herein called an "Affiliated Selling Securityholder" and collectively, the "Affiliated Selling Securityholders") severally propose to sell an aggregate of 1,500,000 shares of Common Stock of the Company (said 2,000,000 shares of Common Stock being herein called the "Underwritten Stock"). The Company and certain shareholders of the Company named in Part B of Schedule II hereto ("Additional Selling Securityholders,") propose to grant to the Underwriters (as hereinafter defined) an option to purchase up to 300,000 additional shares of Common Stock, said 300,000 shares of Common Stock being herein called "Option Stock" and with the Underwritten Stock herein collectively called the "Stock." The Common Stock is more fully described in the Registration Statement and the Prospectus hereinafter mentioned. The Primary Selling Securityholders and the Additional Selling Securityholders shall collectively be referred to herein as the "Selling Securityholders."

The Company and the Selling Securityholders severally hereby confirm the agreements made with respect to the purchase of the Stock by the several underwriters, for whom you are acting, named in Schedule I hereto (herein collectively called the Underwriters, which term shall also include any underwriter purchasing Stock pursuant to Section 3(b) hereof). You represent and warrant that you have been authorized by each of the other Underwriters to enter into this Agreement on its behalf and to act for it in the manner herein provided.

1. REGISTRATION STATEMENT. The Company has filed with the Securities and Exchange Commission (herein called the "Commission") a registration statement on Form S-1 (No. 333-_____), including the related preliminary prospectus, for the registration under the Securities Act of 1933, as amended (herein called the "Securities Act") of the Stock. Copies of such registration statement and of each amendment thereto, if any, including the related preliminary prospectus (meeting the requirements of Rule 430A of the rules and regulations of the Commission) heretofore filed by the Company with the Commission have been delivered to you.

(1) Plus an option to purchase from the Company and the Additional Selling Securityholders up to 300,000 additional shares to cover over-allotments.

The term Registration Statement as used in this agreement shall mean such registration statement, including all exhibits and financial statements, all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, in the form in which it became effective, and any registration statement filed pursuant to Rule 462(b) of the rules and regulations of the Commission with respect to the Stock (herein called a "Rule 462(b) Registration Statement"), and, in the event of any amendment thereto after the effective date of such registration statement (herein called the "Effective Date"), shall also mean (from and after the effectiveness of such amendment) such registration statement as so amended (including any Rule 462(b) registration statement). The term Prospectus as used in this Agreement shall mean the prospectus relating to the Stock first filed with the Commission pursuant to Rule 424(b) and Rule 430A (or if no such filing is required, as included in the Registration Statement) and, in the event of any supplement or amendment to such prospectus after the Effective Date, shall also mean (from and after the filing with the Commission of such supplement or the effectiveness of such amendment) such prospectus as so supplemented or amended. The term Preliminary Prospectus as used in this Agreement shall mean each preliminary prospectus included in such registration statement prior to the time it becomes effective.

The Registration Statement has been declared effective under the Securities Act, and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. The Company has caused to be delivered to you copies of each Preliminary Prospectus and has consented to the use of such copies for the purposes permitted by the Securities Act.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE SELLING SECURITYHOLDERS.

(a) The Company hereby represents and warrants as follows:

(i) Each of the Company and its subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has full corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement and the Prospectus and as being conducted, and is duly qualified as a foreign corporation and in good standing in all jurisdictions in which the character of the property owned or leased or the nature of the business transacted by it makes qualification necessary (except where the failure to be so qualified would not have a material adverse effect on the business, properties, financial condition or results of operations of the Company (a "Material Adverse Effect")).

(ii) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any material adverse change in the business, properties, financial condition or results of operations of the Company whether or not arising from transactions in the ordinary course of business, other than as set forth in the Registration Statement and the Prospectus, and since such dates, except in the ordinary course of business, the Company has not entered into any material transaction not referred to in the Registration Statement and the Prospectus.

(iii) The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus relating to the proposed offering of the Stock nor instituted or threatened instituting proceedings for that purpose. The Registration Statement and the Prospectus comply, and on the Closing Date (as hereinafter defined) and any later date on which Option Stock is to be purchased, the Prospectus will comply, in all material respects, with the provisions of the Securities Act and the rules and regulations of the Commission thereunder; on the Effective Date, the Registration Statement did not contain any untrue statement of a material fact and did not omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and, on the Effective Date the Prospectus did not and, on the Closing Date and any later date on which Option Stock is to be purchased, will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that none of the representations and warranties in this subparagraph (iii) shall apply to statements in, or omissions from, the Registration Statement or the Prospectus made in reliance upon and in conformity with information herein or otherwise furnished in writing to the Company by or on behalf of the Underwriters for use in the Registration Statement or the Prospectus.

(iv) The Company's authorized, issued and outstanding capitalization as of June 30, 1999 is as set forth under the caption "Capitalization" in the Prospectus. The Stock is duly and validly authorized,

and, when issued and sold to the several Underwriters and upon the delivery of and payment for such shares of the Stock, as provided herein, will be duly and validly issued, fully paid and nonassessable, and the Underwriters will receive good and marketable title thereto, free and clear of all liens, encumbrances, equities, security interests and claims whatsoever. The capital stock conforms in all material respects to the description thereof contained in the Prospectus. No further approval or authority of the shareholders or the Board of Directors of the Company will be required for the issuance and sale of the Stock by the Company as contemplated herein or to the knowledge of the Company for the transfer and sale of the Stock to be sold by the Selling Securityholders. The shares of capital stock outstanding prior to the issuance of the Underwritten Stock and, if any, the Option Stock have been duly authorized and are validly issued, fully paid and nonassessable.

(v) Prior to the Closing Date, the Stock to be issued and sold under this Agreement will be authorized for listing by the Nasdaq National Market (herein called "NNM") upon official notice of issuance of the Stock.

(vi) Except as disclosed in the Registration Statement, and except for stock options and shares of Common Stock granted or purchased in the ordinary course of business after June 30, 1999 pursuant to the equity incentive plans disclosed in the Registration Statement ("Option Plans"), the Company does not have outstanding any options or warrants to purchase, or any preemptive rights, or other rights to subscribe or to purchase or rights of co- sale, any securities or obligations convertible or exercisable into, or any contracts or commitments to issue or sell or register for sale, shares of its capital stock or any such options, warrants, rights, convertible securities, exercisable securities or obligations.

(vii) PricewaterhouseCoopers LLP, who have certified the consolidated financial statements included in the Registration Statement, have represented to the Company that they are, and the Company has no reason to believe that such representation is incorrect, independent public accountants as required by the Securities Act and the rules and regulations of the Commission thereunder.

(viii) The financial statements of the Company, together with related notes and schedules as set forth in the Registration Statement ("Financial Statements"), present fairly the financial position and the results of operations of the Company, at the indicated dates and for the indicated periods. The Financial Statements have been prepared in accordance with generally accepted accounting principles, consistently applied throughout the periods involved, and all adjustments necessary for a fair presentation of results for such periods have been made. The selected and summary financial data contained in the Registration Statement and the financial information set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" present fairly the information shown therein and have been compiled on a basis consistent with the Financial Statements. Other than as set forth in the Financial Statements, the Company has no material liabilities, contingent or otherwise, other than liabilities incurred in the ordinary course of business and described in the Registration Statement.

(ix) Each of the Company and its subsidiary has filed all tax returns required to be filed and has paid or is contesting in good faith all taxes shown thereon as due, and there is no tax deficiency that has been or might be asserted against the Company or its subsidiary that will or might have a Material Adverse Effect as of the date hereof, and all tax liabilities are adequately provided for in the Financial Statements of the Company as of the date thereof.

(x) The Company is not in violation or default under any provision of its Articles of Incorporation or Bylaws as of the Closing Date and any later date upon which the Option Stock is purchased, or any indenture, license, mortgage, lease, franchise, permit, deed of trust or other agreement or instrument to which the Company is a party or by which the Company or any of its properties is bound or may be affected, except where such violation or default would not have a Material Adverse Effect.

(xi) The Company has full legal right, power and authority to enter into this Agreement and perform the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement on the part of the Company, enforceable in accordance with its terms, except as rights to indemnity and contribution hereunder may be limited by applicable laws and except as the enforcement hereof may be limited by applicable bankruptcy, insolvency, reorganization,

moratorium or other similar laws affecting creditors' rights generally, or by general equitable principles. The execution and performance of this Agreement and the consummation of the transactions herein contemplated, including, but not limited to, the issuance and sale of the Stock by the Company and the sale of the Stock by the Selling Securityholders do not and will not: (i) conflict with, or result in a breach of, or violation of, any of the terms or provisions of, or constitute, either by itself or upon notice or the passage of time or both, a default under, any indenture, license, mortgage, lease, franchise, permit, deed of trust or other agreement or instrument to which the Company is a party or by which the Company or any of its properties is bound or may be affected, except where such breach, violation or default would not have a Material Adverse Effect, (ii) violate any of the provisions of the Articles of Incorporation or Bylaws of the Company in effect as of the Closing Date and any later date upon which the Option Stock is purchased, (iii) violate any order, judgment, statute, rule or regulation applicable to the Company or of any regulatory, administrative or governmental body or agency having jurisdiction over the Company or any of its properties or assets, or (iv) result in the creation or imposition of any lien, charge or encumbrance upon any assets or properties of the Company.

(xii) Any consent, approval, authorization, order, registration, filing, qualification, license or permit of or with any court or any public, governmental or regulatory agency or body having jurisdiction over the Company or any of its properties or assets which is required for the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, including the issuance, sale and delivery of the Stock to be issued, sold and delivered by the Company hereunder, have been obtained, including the registration of the Stock under the Securities Act, listing of the shares on the NNM and such consents, approvals, authorizations, orders, registrations, filings, qualifications, licenses and permits as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Stock by the Underwriters.

(xiii) There is no pending or, to the Company's knowledge, threatened action, suit, claim or proceeding against the Company or its subsidiary or any of its respective officers or any of its respective properties, assets or rights before any court or governmental agency or body or otherwise which (i) might have a Material Adverse Effect, (ii) might prevent consummation of the transactions contemplated hereby or (iii) is required to be disclosed in the Registration Statement and not otherwise disclosed; and there are no contracts or documents of the Company that are required to be described in the Prospectus or to be filed as exhibits to the Registration Statement which have not been fairly and accurately described in all material respects in the Prospectus and filed as exhibits to the Registration Statement. The contracts so described in the Prospectus are in full force and effect on the date hereof, and neither the Company nor, to the Company's knowledge, any other party is in breach of or default under any of such contracts.

(xiv) Other than as set forth in the Registration Statement, no claim is pending or, to the Company's knowledge, threatened to the effect that the present or past operations of the Company or its subsidiary infringe upon or conflict with the rights of others with respect to any licenses, patents, patent rights, patent applications, trademarks, trademark applications, trade names, copyrights, trade secrets, drawings, schematics, applications, technology, know-how and other tangible and intangible proprietary information or material ("Intellectual Property") which would impair the ability of the Company or its subsidiary to conduct its respective businesses as currently conducted; no claim is pending or, to the Company's knowledge, threatened regarding the Company's or its subsidiary's ownership or other interest in, or rights under, any Intellectual Property which is necessary in any respect to permit the Company or its subsidiary or its subsidiary to conduct its businesses as currently conducted; and, no claim is pending or, to the Company's knowledge, threatened to the effect that any Intellectual Property owned by or licensed to the Company or its subsidiary is invalid or unenforceable. Except as disclosed in the Prospectus, the Company and its subsidiary owns, or has licensed or otherwise has sufficient rights to, all Intellectual Property used or proposed to be used in the business of the Company or its subsidiary as currently conducted. Except as otherwise disclosed in the Prospectus, no contract, agreement or understanding between the Company and any other party exists which would impede or prevent in any respect the continued use by the Company or its subsidiary of the entire right, title and interest of the Company or its subsidiary in and to any Intellectual Property used in the business of the Company or its subsidiary as currently conducted.

(xv) The Company has not taken and will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Common Stock to facilitate the sale or resale of the Stock.

(xvi) Except as described in the Prospectus, no holder of securities of the Company has any rights to the registration of securities of the Company because of the filing of the Registration Statement or otherwise in connection with the sale of the Stock contemplated hereby, other than those that have been expressly waived prior to the date hereof. There are no registration rights with respect to the sale and issuance of the Stock, other than those that have been expressly waived prior to the date hereof.

(xvii) The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

(b) Each of the Selling Securityholders, severally and not jointly, hereby represents and warrants as follows:

(i) Such Selling Securityholder has good and marketable title to all the shares of Stock to be sold by such Selling Securityholder hereunder, free and clear of all liens, encumbrances, equities, security interests and claims whatsoever, with full right and authority to deliver the same hereunder, subject, in the case of each Selling Securityholder, to the rights of American Stock Transfer & Trust Company, as custodian (herein called the "Custodian"), and that upon the delivery of and payment for such shares of the Stock hereunder, the several Underwriters will receive good and marketable title thereto, free and clear of all liens, encumbrances, equities, security interests and claims whatsoever.

(ii) Certificates in negotiable form for the shares of the Stock to be sold by such Selling Securityholder have been placed in custody under a Custody Agreement for delivery under this Agreement with the Custodian; such Selling Securityholder specifically agrees that the shares of the Stock represented by the certificates so held in custody for such Selling Securityholder are subject to the interests of the several Underwriters and the Company, that the arrangements made by such Selling Securityholder for such custody, including the Power of Attorney provided for in such Custody Agreement, are to that extent irrevocable, and that the obligations of such Selling Securityholder shall not be terminated by any act of such Selling Securityholder or by operation of law, whether by the death or incapacity of such Selling Securityholder (or, in the case of a Selling Securityholder that is not an individual, the dissolution or liquidation of such Selling Securityholder) or the occurrence of any other event; if any such death, incapacity, dissolution, liquidation or other such event should occur before the delivery of such shares of the Stock hereunder, certificates for such shares of the Stock shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such death, incapacity, dissolution, liquidation or other event had not occurred, regardless of whether the Custodian shall have received notice of such death, incapacity, dissolution, liquidation or other event.

(c) Each of the Affiliated Selling Securityholders hereby represents and warrants that such Affiliated Selling Securityholder has reviewed the Registration Statement and Prospectus and, although such Affiliated Selling Securityholder has not independently verified the accuracy or completeness of all the information contained therein, nothing has come to the attention of such Affiliated Selling Securityholder that would lead such Affiliated Selling Securityholder to believe that on the Effective Date, the Registration Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and, on the Effective Date the Prospectus contained and, on the Closing Date and any later date on which Option Stock is to be purchased, contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that none of the representations and warranties in this paragraph (c) shall apply to statements in, or omissions from, the Registration Statement or the Prospectus made in reliance upon and in conformity with information herein or otherwise furnished in writing to the Company by or on behalf of the Underwriters for use in the Registration Statement or the Prospectus.

3. PURCHASE OF THE STOCK BY THE UNDERWRITERS.

(a) On the basis of the representations and warranties and subject to the terms and conditions herein set forth, the Company agrees to issue and sell 500,000 shares of the Underwritten Stock to the Underwriters, the Primary Selling Securityholders agree to sell to the Underwriters the number of shares of the Underwritten Stock

set forth in Schedule II opposite the name of such Primary Selling Securityholders, and each of the Underwriters agrees to purchase from the Company and the Primary Selling Securityholders the respective aggregate number of shares of Underwritten Stock set forth opposite their names in Schedule I. The price at which such shares of Underwritten Stock shall be sold by the Company and the Primary Selling Securityholders and purchased by the Underwriters shall be [_____] per share. The obligation of each Underwriter to the Company and the Primary Selling Securityholders shall be to purchase from the Company and the Primary Selling Securityholders that number of shares of the Underwritten Stock which represents the same proportion of the total number of shares of the Underwritten Stock to be sold by each of the Company and the Primary Selling Securityholders pursuant to this Agreement as the number of shares of the Underwritten Stock set forth opposite the name of such Underwriter in Schedule I hereto represents of the total number of shares of the Underwritten Stock to be purchased by all Underwriters pursuant to this Agreement, as adjusted by Hambrecht & Quist LLC in such manner as Hambrecht & Quist LLC deems advisable to avoid fractional shares. In making this Agreement, each Underwriter is contracting severally and not jointly; except as provided in paragraphs (b) and (c) of this Section 3, the agreement of each Underwriter is to purchase only the respective number of shares of the Underwritten Stock specified in Schedule I.

(b) If for any reason one or more of the Underwriters shall fail or refuse (otherwise than for a reason sufficient to justify the termination of this Agreement under the provisions of Section 8 or 9 hereof) to purchase and pay for the number of shares of the Stock agreed to be purchased by such Underwriter or Underwriters, the Company or the Selling Securityholders shall immediately give notice thereof to you, and the non-defaulting Underwriters shall have the right within 24 hours after the receipt by you of such notice to purchase, or procure one or more other Underwriters to purchase, in such proportions as may be agreed upon between you and such purchasing Underwriter or Underwriters and upon the terms herein set forth, all or any part of the shares of the Stock which such defaulting Underwriter or Underwriters agreed to purchase. If the non-defaulting Underwriters fail so to make such arrangements with respect to all such shares and portion, the number of shares of the Stock which each non-defaulting Underwriter is otherwise obligated to purchase under this Agreement shall be automatically increased on a pro rata basis to absorb the remaining shares and portion which the defaulting Underwriter or Underwriters agreed to purchase; PROVIDED, HOWEVER, that the non- defaulting Underwriters shall not be obligated to purchase the shares and portion which the defaulting Underwriter or Underwriters agreed to purchase if the aggregate number of such shares of the Stock exceeds 10% of the total number of shares of the Stock which all Underwriters agreed to purchase hereunder. If the total number of shares of the Stock which the defaulting Underwriter or Underwriters agreed to purchase shall not be purchased or absorbed in accordance with the two preceding sentences, the Company and the Selling Securityholders shall have the right, within 24 hours next succeeding the 24-hour period above referred to, to make arrangements with other underwriters or purchasers satisfactory to you for purchase of such shares and portion on the terms herein set forth. In any such case, either you or the Company and the Selling Securityholders shall have the right to postpone the Closing Date determined as provided in Section 5 hereof for not more than seven business days after the date originally fixed as the Closing Date pursuant to said Section 5 in order that any necessary changes in the Registration Statement, the Prospectus or any other documents or arrangements may be made. If neither the non-defaulting Underwriters nor the Company and the Selling Securityholders shall make arrangements within the 24-hour periods stated above for the purchase of all the shares of the Stock which the defaulting Underwriter or Underwriters agreed to purchase hereunder, this Agreement shall be terminated without further act or deed and without any liability on the part of the Company or the Selling Securityholders to any non-defaulting Underwriter and without any liability on the part of any non-defaulting Underwriter to the Company or the Selling Securityholders. Nothing in this paragraph (b), and no action taken hereunder, shall relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

(c) On the basis of the representations, warranties and covenants herein contained, and subject to the terms and conditions herein set forth, the Company and the Additional Selling Securityholders grant an option to the several Underwriters to purchase, severally and not jointly, up to 300,000 shares in the aggregate of the Option Stock from the Company and such Additional Selling Securityholders at the same price per share as the Underwriters shall pay for the Underwritten Stock. Said option may be exercised only to cover over-allotments in the sale of the Underwritten Stock by the Underwriters and may be exercised in whole or in part at any time (but not more than once) on or before the thirtieth day after the date of this Agreement upon written or telegraphic notice by you to the Company setting forth the aggregate number of shares of the Option Stock as to which the several Underwriters are exercising the option. Delivery of certificates for the shares of Option Stock, and payment therefor, shall be made as provided in Section 5 hereof. The number of shares of the Option Stock to

be purchased by each Underwriter shall be the same percentage of the total number of shares of the Option Stock to be purchased by the several Underwriters as such Underwriter is purchasing of the Underwritten Stock, as adjusted by you in such manner as you deem advisable to avoid fractional shares.

4. OFFERING BY UNDERWRITERS.

(a) The terms of the public offering by the Underwriters of the Stock to be purchased by them shall be as set forth in the Prospectus. The Underwriters may from time to time change the public offering price after the closing of the public offering and increase or decrease the concessions and discounts to dealers as they may determine.

(b) The information set forth in the last paragraph on the front cover page and under "Underwriting" in the Registration Statement, any Preliminary Prospectus and the Prospectus relating to the Stock filed by the Company (insofar as such information relates to the Underwriters) constitutes the only information furnished by the Underwriters to the Company for inclusion in the Registration Statement, any Preliminary Prospectus, and the Prospectus, and you on behalf of the respective Underwriters represent and warrant to the Company that the statements made therein are correct.

5. DELIVERY OF AND PAYMENT FOR THE STOCK.

(a) Delivery of certificates for the shares of the Underwritten Stock and the Option Stock (if the option granted by Section 3(c) hereof shall have been exercised not later than 7:00 A.M., San Francisco time, on the date two business days preceding the Closing Date), and payment therefor, shall be made at the office of Heller Ehrman White & McAuliffe, at 7:00 a.m., San Francisco time, on the fourth business day after the date of this Agreement, or at such time on such other day, not later than seven full business days after such fourth business day, as shall be agreed upon in writing by the Company, the Selling Securityholders and you. The date and hour of such delivery and payment (which may be postponed as provided in Section 3(b) hereof) are herein called the Closing Date.

(b) If the option granted by Section 3(c) hereof shall be exercised after 7:00 a.m., San Francisco time, on the date two business days preceding the Closing Date, delivery of certificates for the shares of Option Stock, and payment therefor, shall be made at the office of Heller Ehrman White & McAuliffe, at 7:00 a.m., San Francisco time, on the third business day after the exercise of such option.

(c) Payment for the Stock purchased from the Company shall be made to the Company or its order and payment for the Stock purchased from the Selling Securityholders shall be made to the Custodian, for the account of the Selling Securityholders, in each case by wire transfer of immediately available funds. Such payment shall be made upon delivery of certificates for the Stock to you for the respective accounts of the several Underwriters against receipt therefor signed by you. Certificates for the Stock to be delivered to you shall be registered in such name or names and shall be in such denominations as you may request at least one business day before the Closing Date, in the case of Underwritten Stock, and at least one business day prior to the purchase thereof, in the case of the Option Stock. Such certificates will be made available to the Underwriters for inspection, checking and packaging at the offices of Lewco Securities Corporation, 2 Broadway, New York, New York 10004 on the business day prior to the Closing Date or, in the case of the Option Stock, by 3:00 p.m., New York time, on the business day preceding the date of purchase.

It is understood that you, individually and not on behalf of the Underwriters, may (but shall not be obligated to) make payment to the Company and the Selling Securityholders for shares to be purchased by any Underwriter whose check shall not have been received by you on the Closing Date or any later date on which Option Stock is purchased for the account of such Underwriter. Any such payment by you shall not relieve such Underwriter from any of its obligations hereunder.

6. FURTHER AGREEMENTS OF THE COMPANY. The Company covenants and agrees as follows:

(a) The Company will (i) prepare and timely file with the Commission under Rule 424(b) a Prospectus containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A and (ii) not file any amendment to the Registration Statement or supplement to the Prospectus of which you shall not previously have been advised and furnished with a copy or to which you shall have reasonably objected in writing or which is not in compliance with the Securities Act or the rules and regulations of the Commission.

(b) The Company will promptly notify each Underwriter in the event of (i) the request by the Commission for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information,
(ii) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, (iii) the institution or notice of intended institution of any action or proceeding for that purpose, (iv) the receipt by the Company of any notification with respect to the suspension of the qualification of the Stock for sale in any jurisdiction, or (v) the receipt by it of notice of the initiation or threatening of any proceeding for such purpose. The Company will make every reasonable effort to prevent the issuance of such a stop order and, if such an order shall at any time be issued, to obtain the withdrawal thereof at the earliest possible moment.

(c) The Company will (i) on or before the Closing Date, deliver to you a signed copy of the Registration Statement as originally filed and of each amendment thereto filed prior to the time the Registration Statement becomes effective and, promptly upon the filing thereof, a signed copy of each post-effective amendment, if any, to the Registration Statement (together with, in each case, all exhibits thereto unless previously furnished to you) and will also deliver to you, for distribution to the Underwriters, a sufficient number of additional conformed copies of each of the foregoing (but without exhibits) so that one copy of each may be distributed to each Underwriter, (ii) as promptly as possible deliver to you and send to the several Underwriters, at such office or offices as you may designate, as many copies of the Prospectus as you may reasonably request, and (iii) thereafter from time to time during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, likewise send to the Underwriters as many additional copies of the Prospectus and as many copies of any supplement to the Prospectus and of any amended prospectus, filed by the Company with the Commission, as you may reasonably request for the purposes contemplated by the Securities Act.

(d) If at any time during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer any event relating to or affecting the Company, or of which the Company shall be advised in writing by you, shall occur as a result of which it is necessary, in the opinion of counsel for the Company or of counsel for the Underwriters, to supplement or amend the Prospectus in order to make the Prospectus not misleading in the light of the circumstances existing at the time it is delivered to a purchaser of the Stock, the Company will forthwith prepare and file with the Commission a supplement to the Prospectus or an amended prospectus so that the Prospectus as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time such Prospectus is delivered to such purchaser, not misleading. If, after the public offering of the Stock by the Underwriters and during such period, the Underwriters shall propose to vary the terms of offering thereof by reason of changes in general market conditions or otherwise, you will advise the Company in writing of the proposed variation, and, if in the opinion either of counsel for the Company or of counsel for the Underwriters such proposed variation requires that the Prospectus be supplemented or amended, the Company will forthwith prepare and file with the Commission a supplement to the Prospectus or an amended prospectus setting forth such variation. The Company authorizes the Underwriters and all dealers to whom any of the Stock may be sold by the several Underwriters to use the Prospectus, as from time to time amended or supplemented, in connection with the sale of the Stock in accordance with the applicable provisions of the Securities Act and the applicable rules and regulations thereunder for such period.

(e) Prior to the filing thereof with the Commission, the Company will submit to you, for your information, a copy of any post-effective amendment to the Registration Statement and any supplement to the Prospectus or any amended prospectus proposed to be filed.

(f) The Company will cooperate, when and as requested by you, in the qualification of the Stock for offer and sale under the securities or blue sky laws of such jurisdictions as you may designate and, during

the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, in keeping such qualifications in good standing under said securities or blue sky laws; PROVIDED, HOWEVER, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified. The Company will, from time to time, prepare and file such statements, reports, and other documents as are or may be required to continue such qualifications in effect for so long a period as you may reasonably request for distribution of the Stock.

(g) During a period of five years commencing with the date hereof, the Company will furnish to you, and to each Underwriter who may so request in writing, copies of all periodic and special reports furnished to shareholders of the Company and of all information, documents and reports filed with the Commission.

(h) Not later than the 45th day following the end of the fiscal quarter first occurring after the first anniversary of the Effective Date, the Company will make generally available to its security holders an earnings statement in accordance with Section 11(a) of the Securities Act and Rule 158 thereunder.

(i) The Company agrees to pay all costs and expenses incident to the performance of the obligations of the Company and the Selling Securityholders under this Agreement, including all costs and expenses incident to (i) the preparation, printing and filing with the Commission and the National Association of Securities Dealers, Inc. ("NASD") of the Registration Statement, any Preliminary Prospectus and the Prospectus, (ii) the furnishing to the Underwriters of copies of any Preliminary Prospectus and of the several documents required by paragraph (c) of this Section 6 to be so furnished,
(iii) the printing of this Agreement and related documents delivered to the Underwriters, (iv) the preparation, printing and filing of all supplements and amendments to the Prospectus referred to in paragraph (d) of this Section 6,
(v) the furnishing to you and the Underwriters of the reports and information referred to in paragraph (g) of this Section 6 and (vi) the printing and issuance of stock certificates, including the transfer agent's fees. The Selling Securityholders will pay any transfer taxes incident to the transfer to the Underwriters of the shares of Stock being sold by the Selling Securityholders.

(j) The Company agrees to reimburse you, for the account of the several Underwriters, for blue sky fees and related disbursements (including counsel fees and disbursements and cost of printing memoranda for the Underwriters) paid by or for the account of the Underwriters or their counsel in qualifying the Stock under state securities or blue sky laws and in the review of the offering by the NASD.

(k) The Company hereby agrees that, without the prior written consent of Hambrecht & Quist LLC on behalf of the Underwriters, the Company will not, for a period of 90 days following the effective date of the Registration Statement, directly or indirectly, sell, offer, contract to sell, transfer the economic risk of ownership in, make any short sale, pledge or otherwise dispose of any shares of Common Stock or any securities convertible into or exchangeable or exercisable for or any rights to purchase or acquire Common Stock. The foregoing sentence shall not apply to (A) the Stock to be sold to the Underwriters pursuant to this Agreement, (B) Common Stock or options to purchase Common Stock or other equity incentives granted under the Option Plans,
(C) shares of Common Stock issued by the Company upon the exercise of options granted under the Option Plans or upon the exercise of warrants outstanding as of the date hereof, and (D) capital stock issued in connection with acquisitions or strategic alliances entered into by the Company, provided that the Company shall notify Hambrecht & Quist LLC of such proposed acquisitions at least five
(5) business days prior to entering into a legally binding letter of intent or a definitive agreement with respect to such acquisitions.

(l) If at any time during the 25-day period after the Registration Statement becomes effective any rumor, publication or event relating to or affecting the Company shall occur as a result of which in your opinion the market price for the Stock has been or is likely to be materially affected (regardless of whether such rumor, publication or event necessitates a supplement to or amendment of the Prospectus), the Company will, after written notice from you advising the Company to the effect set forth above, forthwith prepare, consult with you concerning the substance of, and disseminate a press release or other public statement, reasonably satisfactory to you, responding to or commenting on such rumor, publication or event.

(m) The Company is familiar with the Investment Company Act of 1940, as amended, and has in the past conducted its affairs, and will in the future conduct its affairs, in such a manner to ensure that the Company was not and will not be an "investment company" or a company "controlled" by an "investment

company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

7. INDEMNIFICATION AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person (including each partner or officer thereof) who controls any Underwriter within the meaning of Section 15 of the Securities Act from and against any and all losses, claims, damages or liabilities, joint or several, to which such indemnified parties or any of them may become subject under the Securities Act, the Securities Exchange Act of 1934, as amended (herein called the Exchange Act), or the common law or otherwise, and the Company agrees to reimburse each such Underwriter and controlling person for any legal or other expenses (including, except as otherwise hereinafter provided, reasonable fees and disbursements of counsel) incurred by the respective indemnified parties in connection with defending against any such losses, claims, damages or liabilities or in connection with any investigation or inquiry of, or other proceeding which may be brought against, the respective indemnified parties, in each case arising out of or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (including the Prospectus as part thereof and any Rule 462(b) registration statement) or any post-effective amendment thereto (including any Rule 462(b) registration statement), or 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 (ii) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus or the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment thereof or supplement thereto) or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that (1) the indemnity agreements of the Company contained in this paragraph (a) shall not apply to any such losses, claims, damages, liabilities or expenses if such statement or omission was made in reliance upon and in conformity with information furnished as herein stated or otherwise furnished in writing to the Company by or on behalf of any Underwriter for use in any Preliminary Prospectus or the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto and (2) the indemnity agreement contained in this paragraph (a) with respect to any Preliminary Prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages, liabilities or expenses purchased the Stock which is the subject thereof (or to the benefit of any person controlling such Underwriter) if at or prior to the written confirmation of the sale of such Stock a copy of the Prospectus (or the Prospectus as amended or supplemented) was not sent or delivered to such person and the untrue statement or omission of a material fact contained in such Preliminary Prospectus was corrected in the Prospectus (or the Prospectus as amended or supplemented) unless the failure is the result of noncompliance by the Company with paragraph (c) of Section 6 hereof. The indemnity agreements of the Company contained in this paragraph (a) and the representations and warranties of the Company contained in Section 2 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party and shall survive the delivery of and payment for the Stock.

(b) Subject to the provisions of paragraph (g) of this
Section 7, the Selling Securityholders severally and not jointly agree to indemnify and hold harmless each Underwriter and each person (including each partner or officer thereof) who controls any Underwriter within the meaning of
Section 15 of the Securities Act from and against any and all losses, claims, damages or liabilities, joint or several, to which such indemnified parties or any of them may become subject under the Securities Act, the Exchange Act or the common law or otherwise, and the Selling Securityholders severally and not jointly agree to reimburse each such Underwriter and each person (including each partner or officer thereof) who controls any Underwriter within the meaning of
Section 15 of the Securities Act for any legal or other expenses (including, except as otherwise hereinafter provided, reasonable fees and disbursements of counsel) incurred by the respective indemnified parties in connection with defending against any such losses, claims, damages or liabilities or in connection with any investigation or inquiry of, or other proceeding which may be brought against, the respective indemnified parties, in each case arising out of or based upon (i) information pertaining to such Selling Securityholder furnished by or on behalf of such Selling Securityholder expressly for use in any Preliminary Prospectus or the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto, (ii) facts that would constitute a breach of any representation or warranty of such Selling Securityholder set forth in Section 2(b) hereof, or (iii) in the case of an Affiliated Selling Securityholder, facts that would constitute a breach of any representation or warranty of such Affiliated Selling Securityholder set forth in Section 2(c) hereof. The indemnity agreements of the Selling Securityholders contained in this paragraph (b) and the representations and warranties of the Selling Securityholders contained

in Section 2 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party and shall survive the delivery of and payment for the Stock.

(c) Each Underwriter severally agrees to indemnify and hold harmless the Company and the Selling Securityholders, each of its officers who signs the Registration Statement on his own behalf or pursuant to a power of attorney, each of its directors, each other Underwriter and each person (including each partner or officer thereof) who controls the Company or any such other Underwriter within the meaning of Section 15 of the Securities Act and the Selling Securityholders, from and against any and all losses, claims, damages or liabilities, joint or several, to which such indemnified parties or any of them may become subject under the Securities Act, the Exchange Act, or the common law or otherwise and to reimburse each of them for any legal or other expenses (including, except as otherwise hereinafter provided, reasonable fees and disbursements of counsel) incurred by the respective indemnified parties in connection with defending against any such losses, claims, damages or liabilities or in connection with any investigation or inquiry of, or other proceeding which may be brought against, the respective indemnified parties, in each case arising out of or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (including the Prospectus as part thereof and any Rule 462(b) registration statement) or any post-effective amendment thereto (including any Rule 462(b) registration statement) or 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 (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment thereof or supplement thereto) or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished as herein stated or otherwise furnished in writing to the Company by or on behalf of such indemnifying Underwriter for use in the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto. The indemnity agreement of each Underwriter contained in this paragraph (c) shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party and shall survive the delivery of and payment for the Stock.

(d) Each party indemnified under the provisions of paragraphs (a), (b) and (c) of this Section 7 agrees that, upon the service of a summons or other initial legal process upon it in any action or suit instituted against it or upon its receipt of written notification of the commencement of any investigation or inquiry of, or proceeding against, it in respect of which indemnity may be sought on account of any indemnity agreement contained in such paragraphs, it will promptly give written notice (herein called the Notice) of such service or notification to the party or parties from whom indemnification may be sought hereunder. No indemnification provided for in such paragraphs shall be available to any party who shall fail so to give the Notice if the party to whom such Notice was not given was unaware of the action, suit, investigation, inquiry or proceeding to which the Notice would have related and was prejudiced by the failure to give the Notice, but the omission so to notify such indemnifying party or parties of any such service or notification shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of such indemnity agreement. Any indemnifying party shall be entitled at its own expense to participate in the defense of any action, suit or proceeding against, or investigation or inquiry of, an indemnified party. Any indemnifying party shall be entitled, if it so elects within a reasonable time after receipt of the Notice by giving written notice (herein called the Notice of Defense) to the indemnified party, to assume (alone or in conjunction with any other indemnifying party or parties) the entire defense of such action, suit, investigation, inquiry or proceeding, in which event such defense shall be conducted, at the expense of the indemnifying party or parties, by counsel chosen by such indemnifying party or parties and reasonably satisfactory to the indemnified party or parties; PROVIDED, HOWEVER, that (i) if the indemnified party or parties reasonably determine that there may be a conflict between the positions of the indemnifying party or parties and of the indemnified party or parties in conducting the defense of such action, suit, investigation, inquiry or proceeding or that there may be legal defenses available to such indemnified party or parties different from or in addition to those available to the indemnifying party or parties, then counsel for the indemnified party or parties shall be entitled to conduct the defense to the extent reasonably determined by such counsel to be necessary to protect the interests of the indemnified party or parties and (ii) in any event, the indemnified party or parties shall be entitled to have counsel chosen by such indemnified party or parties participate in, but not conduct, the defense. If, within a reasonable time after receipt of the Notice, an indemnifying party gives a Notice of Defense and the counsel chosen by the indemnifying party or parties is reasonably

satisfactory to the indemnified party or parties, the indemnifying party or parties will not be liable under paragraphs (a) through (d) of this Section 7 for any legal or other expenses subsequently incurred by the indemnified party or parties in connection with the defense of the action, suit, investigation, inquiry or proceeding, except that (A) the indemnifying party or parties shall bear the legal and other expenses incurred in connection with the conduct of the defense as referred to in clause (i) of the proviso to the preceding sentence and (B) the indemnifying party or parties shall bear such other expenses as it or they have authorized to be incurred by the indemnified party or parties. If, within a reasonable time after receipt of the Notice, no Notice of Defense has been given, the indemnifying party or parties shall be responsible for any legal or other expenses incurred by the indemnified party or parties in connection with the defense of the action, suit, investigation, inquiry or proceeding.

(e) If the indemnification provided for in this Section 7 is unavailable or insufficient to hold harmless an indemnified party under paragraph (a), (b) or (c) of this Section 7, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in paragraph (a), (b) or (c) of this Section 7 (i) in such proportion as is appropriate to reflect the relative benefits received by each indemnifying party from the offering of the Stock or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each indemnifying party in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, or actions in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Securityholders on the one hand and the Underwriters on the other shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Stock received by the Company and the Selling Securityholders and the total underwriting discount received by the Underwriters, as set forth in the table on the cover page of the Prospectus, bear to the aggregate public offering price of the Stock. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by each indemnifying party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission.

The parties agree that it would not be just and equitable if contributions pursuant to this paragraph (e) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to in the first sentence of this paragraph (e). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities, or actions in respect thereof, referred to in the first sentence of this paragraph (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigation, preparing to defend or defending against any action or claim which is the subject of this paragraph (e). Notwithstanding the provisions of this paragraph (e), no Underwriter shall be required to contribute any amount in excess of the underwriting discount applicable to the Stock purchased by such Underwriter. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this paragraph (e) to contribute are several in proportion to their respective underwriting obligations and not joint.

Each party entitled to contribution agrees that upon the service of a summons or other initial legal process upon it in any action instituted against it in respect of which contribution may be sought, it will promptly give written notice of such service to the party or parties from whom contribution may be sought, but the omission so to notify such party or parties of any such service shall not relieve the party from whom contribution may be sought from any obligation it may have hereunder or otherwise (except as specifically provided in paragraph (d) of this Section 7).

(f) Neither the Company nor the Selling Securityholders will, without the prior written consent of each Underwriter, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Underwriter or any person who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of such Underwriter and each such controlling person from all liability arising out of such claim, action, suit or proceeding.

(g) The liability of each Selling Securityholder under such Selling Securityholder's representations and warranties contained in paragraphs (b) and (c) of Section 2 hereof and under the indemnity and reimbursement agreements contained in the provisions of this Section 7 hereof shall be limited to an amount equal to the public offering price of the stock sold by such Selling Securityholder to the Underwriters. In addition, no Selling Securityholder shall be liable under the indemnity and reimbursement agreements of Section 7 hereof unless and until the Underwriters have made written demand on the Company for payment under such Section which shall not have been paid or agreed to be paid by the Company within 45 days after receipt by the Company of such demand. A copy of such demand when made to the Company shall be provided to the Selling Securityholders. The Company and the Selling Securityholders may agree, as among themselves and without limiting the rights of the Underwriters under this Agreement, as to the respective amounts of such liability for which they each shall be responsible.

8. TERMINATION. This Agreement may be terminated by you at any time prior to the Closing Date by giving written notice to the Company and the Selling Securityholders if after the date of this Agreement trading in the Common Stock shall have been suspended, or if there shall have occurred (i) the engagement in hostilities or an escalation of major hostilities by the United States or the declaration of war or a national emergency by the United States on or after the date hereof, (ii) any outbreak of hostilities or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, calamity, crisis or change in economic or political conditions in the financial markets of the United States would, in the Underwriters' reasonable judgment, make the offering or delivery of the Stock impracticable, (iii) suspension of trading in securities generally or a material adverse decline in value of securities generally on the New York Stock Exchange, the American Stock Exchange, The Nasdaq Stock Market, or limitations on prices (other than limitations on hours or numbers of days of trading) for securities on either such exchange or system, (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of, or commencement of any proceeding or investigation by, any court, legislative body, agency or other governmental authority which in the Underwriters' reasonable opinion materially and adversely affects or will materially or adversely affect the business or operations of the Company,
(v) declaration of a banking moratorium by either federal or New York State authorities or (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs which in the Underwriters' reasonable opinion has a material adverse effect on the securities markets in the United States. If this Agreement shall be terminated pursuant to this Section 8, there shall be no liability of the Company or the Selling Securityholders to the Underwriters and no liability of the Underwriters to the Company or the Selling Securityholders; PROVIDED, HOWEVER, that in the event of any such termination the Company and the Selling Securityholders agree to indemnify and hold harmless the Underwriters from all costs or expenses incident to the performance of the obligations of the Company and the Selling Securityholders under this Agreement, including all costs and expenses referred to in paragraphs (i) and (j) of Section 6 hereof.

9. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the several Underwriters to purchase and pay for the Stock shall be subject to the performance by the Company and by the Selling Securityholders of all their respective obligations to be performed hereunder at or prior to the Closing Date or any later date on which Option Stock is to be purchased, as the case may be, and to the following further conditions:

(a) The Registration Statement shall have become effective; and no stop order suspending the effectiveness thereof shall have been issued and no proceedings therefor shall be pending or threatened by the Commission.

(b) The legality and sufficiency of the sale of the Stock hereunder and the validity and form of the certificates representing the Stock, all corporate proceedings and other legal matters incident to the foregoing, and the form of the Registration Statement and of the Prospectus (except as to the financial statements contained therein), shall have been approved at or prior to the Closing Date by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel for the Underwriters.

(c) You shall have received from Heller Ehrman White & McAuliffe, counsel for the Company and each of the Affiliated Selling Securityholders, an opinion, addressed to the Underwriters and dated the Closing Date, covering the matters set forth in Annex A hereto, and if Option Stock is purchased at any date after the Closing Date, an additional opinion from such counsel, addressed to the Underwriters and dated such

later date, confirming that the statements expressed as of the Closing Date in such opinion remain valid as of such later date.

(d) You shall have received from [_____], counsel for [_____], an opinion, addressed to the Underwriters and dated the Closing Date, covering the matters set forth in Annex B hereto.

(e) You shall have received from Jim Jantos, counsel for Brittania Holdings Limited, an opinion, addressed to the Underwriters and dated the date on which Option Stock is purchased covering the matters set forth in Annex C hereto.

(f) You shall be satisfied that (i) as of the Effective Date, the statements made in the Registration Statement and the Prospectus were true and correct and neither the Registration Statement nor the Prospectus omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, respectively, not misleading, (ii) since the Effective Date, no event has occurred which should have been set forth in a supplement or amendment to the Prospectus which has not been set forth in such a supplement or amendment, (iii) since the respective dates as of which information is given in the Registration Statement in the form in which it originally became effective and the Prospectus contained therein, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the business, properties, financial condition or results of operations of the Company, whether or not arising from transactions in the ordinary course of business, and, since such dates, except in the ordinary course of business, Company has not entered into any material transaction not referred to in the Registration Statement in the form in which it originally became effective and the Prospectus contained therein, (iv) the Company does not have any material contingent obligations which are not disclosed in the Registration Statement and the Prospectus, (v) there are not any pending or known threatened legal proceedings to which the Company is a party or of which property of the Company is the subject which are material and which are not disclosed in the Registration Statement and the Prospectus, (vi) there are not any franchises, contracts, leases or other documents which are required to be filed as exhibits to the Registration Statement which have not been filed as required, (vii) the representations and warranties of the Company herein are true and correct in all material respects as of the Closing Date or any later date on which Option Stock is to be purchased, as the case may be, and (viii) there has not been any material change in the market for securities in general or in political, financial or economic conditions from those reasonably foreseeable as to render it impracticable in your reasonable judgment to make a public offering of the Stock, or a material adverse change in market levels for securities in general (or those of companies in particular) or financial or economic conditions which render it inadvisable to proceed.

(g) You shall have received on the Closing Date and on any later date on which Option Stock is purchased a certificate, dated the Closing Date or such later date, as the case may be, and signed by the President and the Chief Financial Officer of the Company, stating that the respective signers of said certificate have carefully examined the Registration Statement in the form in which it originally became effective and the Prospectus contained therein and any supplements or amendments thereto, and that the statements included in clauses (i) through (vii) of paragraph (f) of this Section 9 are true and correct.

(h) You shall have received from PricewaterhouseCoopers LLP, a letter or letters, addressed to the Underwriters and dated the Closing Date and any later date on which Option Stock is purchased, confirming that they are independent public accountants with respect to the Company within the meaning of the Securities Act and the applicable published rules and regulations thereunder and based upon the procedures described in their letter delivered to you concurrently with the execution of this Agreement (herein called the Original Letter), but carried out to a date not more than three business days prior to the Closing Date or such later date on which Option Stock is purchased (i) confirming, to the extent true, that the statements and conclusions set forth in the Original Letter are accurate as of the Closing Date or such later date, as the case may be, and (ii) setting forth any revisions and additions to the statements and conclusions set forth in the Original Letter which are necessary to reflect any changes in the facts described in the Original Letter since the date of the Original Letter or to reflect the availability of more recent financial statements, data or information. The letters shall not disclose any change, or any development involving a prospective change, in or affecting the business or properties of the Company which, in your sole judgment, makes it impractical or inadvisable to proceed with the public offering of the Stock or the purchase of the Option Stock as contemplated by the Prospectus.

(i) You shall have received from PricewaterhouseCoopers LLP a letter stating that their review of the Company's system of internal accounting controls, to the extent they deemed necessary in establishing the scope of their examination of the Company's financial statements as at June 30, 1999, did not disclose any weakness in internal controls that they considered to be material weaknesses.

(j) You shall have been furnished evidence in usual written or telegraphic form from the appropriate authorities of the several jurisdictions, or other evidence satisfactory to you, of the qualification referred to in paragraph (f) of Section 6 hereof.

(k) Prior to the Closing Date, the Stock to be issued and sold by the Company shall have been duly authorized for listing by the NNM upon official notice of issuance.

All the agreements, opinions, certificates and letters mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, counsel for the Underwriters, shall be reasonably satisfied that they comply in form and scope.

In case any of the conditions specified in this Section 9 shall not be fulfilled, this Agreement may be terminated by you by giving notice to the Company. Any such termination shall be without liability of the Company or Selling Securityholders to the Underwriters and without liability of the Underwriters to the Company or the Selling Securityholders; PROVIDED, HOWEVER, that (i) in the event of such termination, the Company and the Selling Securityholders agree to indemnify and hold harmless the Underwriters from all costs or expenses incident to the performance of the obligations of the Company and the Selling Securityholders under this Agreement, including all costs and expenses referred to in paragraphs (i) and (j) of Section 6 hereof, and (ii) if this Agreement is terminated by you because of any refusal, inability or failure on the part of the Company or the Selling Securityholders to perform any agreement herein, to fulfill any of the conditions herein, or to comply with any provision hereof other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally upon demand for all out- of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the transactions contemplated hereby.

10. CONDITIONS OF THE OBLIGATION OF THE COMPANY AND THE SELLING SECURITYHOLDERS. The obligation of the Company and the Selling Securityholders to deliver the Stock shall be subject to the conditions that (a) the Registration Statement shall have become effective and (b) no stop order suspending the effectiveness thereof shall be in effect and no proceedings therefor shall be pending or threatened by the Commission.

In case either of the conditions specified in this Section 10 shall not be fulfilled, this Agreement may be terminated by the Company and the Selling Securityholders by giving notice to you. Any such termination shall be without liability of the Company and the Selling Securityholders to the Underwriters and without liability of the Underwriters to the Company or the Selling Securityholders; PROVIDED, HOWEVER, that in the event of any such termination the Company and the Selling Securityholders jointly and severally agree to indemnify and hold harmless the Underwriters from all costs or expenses incident to the performance of the obligations of the Company and the Selling Securityholders under this Agreement, including all costs and expenses referred to in paragraphs (i) and (j) of Section 6 hereof.

11. REIMBURSEMENT OF CERTAIN EXPENSES. In addition to its other obligations under Section 7 of this Agreement, the Company hereby agrees to reimburse on a quarterly basis the Underwriters for all reasonable legal and other expenses incurred in connection with investigating or defending any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in paragraph (a) of Section 7 of this Agreement, notwithstanding the absence of a judicial determination as

to the propriety and enforceability of the obligations under this Section 11 and the possibility that such payments might later be held to be improper; PROVIDED, HOWEVER, that (i) to the extent any such payment is ultimately held to be improper, the persons receiving such payments shall promptly refund them and (ii) such persons shall provide to the Company, upon request, reasonable assurances of their ability to effect any refund, when and if due.

12. PERSONS ENTITLED TO BENEFIT OF AGREEMENT. This Agreement shall inure to the benefit of the Company, the Selling Securityholders and the several Underwriters and, with respect to the provisions of Section 7 hereof, the several parties (in addition to the Company, the Selling Securityholders and the several Underwriters) indemnified under the provisions of said Section 7, and their respective personal representatives, successors and assigns. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors and assigns" as herein used shall not include any purchaser, as such purchaser, of any of the Stock from any of the several Underwriters.

13. NOTICES. Except as otherwise provided herein, all communications hereunder shall be in writing or by telegraph and, if to the Underwriters, shall be mailed, telegraphed or delivered to Hambrecht & Quist LLC, One Bush Street, San Francisco, California 94104; and if to the Company, shall be mailed, telegraphed or delivered to it at its office, 200 First Avenue West, Suite 500, Seattle, Washington 98119, Attention: Chief Financial Officer; and if to the Selling Securityholders, shall be mailed, telegraphed or delivered to the Selling Securityholders in care of F5 Networks, Inc., 200 First Avenue West, Suite 500, Seattle, WA, 98119, Attention: Chief Financial Officer. All notices given by telegraph shall be promptly confirmed by letter.

14. MISCELLANEOUS. The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or the Selling Securityholders or their respective directors or officers, and (c) delivery and payment for the Stock under this Agreement; PROVIDED, HOWEVER, that if this Agreement is terminated prior to the Closing Date, the provision of paragraphs (k) and (l) of Section 6 hereof shall be of no further force or effect.

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.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

Please sign and return to the Company and to the Selling Securityholders in care of the Company the enclosed duplicates of this letter, whereupon this letter will become a binding agreement among the Company, the Selling Securityholders and the several Underwriters in accordance with its terms.

Very truly yours,

F5 NETWORKS, INC.

By

Jeffrey S. Hussey President and Chief Executive Officer

Michael D. Almquist

By:

Jeffrey S. Hussey Attorney-in-Fact

Jeffrey S. Hussey

Brian R. Dixon

By:

Jeffrey S. Hussey Attorney-in-Fact

Brett L. Helsel

By:

Jeffrey S. Hussey Attorney-in-Fact

Steven Goldman

By:

Jeffrey S. Hussey Attorney-in-Fact

Britannia Holdings Limited

By:

Jeffrey S. Hussey Attorney-in-Fact

Menlo Ventures VII, L.P.

By:

Jeffrey S. Hussey Attorney-in-Fact

Taylor Hussey Family Trust

By:

Jeffrey S. Hussey Attorney-in-Fact

Becky Arnett Hussey

By:

Jeffrey S. Hussey Attorney-in-Fact

Gerald W. Hussey and Helen J. Hussey

By:

Jeffrey S. Hussey Attorney-in-Fact

Gary Pittman

By:

Jeffrey S. Hussey Attorney-in-Fact

Joann M. Reiter

By:

Jeffrey S. Hussey Attorney-in-Fact

The foregoing Agreement is hereby confirmed

and accepted as of the date first above written.

HAMBRECHT & QUIST LLC
BANCBOSTON ROBERTSON STEPHENS INC
BEAR, STEARNS & CO. INC.
DAIN RAUSCHER WESSELS, a division of Dain Rauscher Incorporated

By
Managing Director
Acting on behalf of the several Underwriters, including themselves, named in Schedule I hereto

SCHEDULE I

UNDERWRITERS

UNDERWRITERS	NUMBER OF SHARES TO BE PURCHASED
Hambrecht & Quist L.L.C.	
BancBoston Robertson Stephens, Inc.	
Bear, Stearns & Co. Inc.	
Dain Rauscher Wessels, a division of Dain Rauscher Incorporated	
Total	500,000

SCHEDULE II
PRIMARY SELLING SECURITYHOLDERS

PART A

NAME AND ADDRESS OF SELLING SECURITYHOLDERS	NUMBER OF SHARES TO BE SOLD
Jeffrey S. Hussey (1) c/o F5 Networks, Inc. 200 First Avenue West, Suite 500 Seattle, WA 98119	
Brian R. Dixon (1) c/o F5 Networks, Inc. 200 First Avenue West, Suite 500 Seattle, WA 98119	
Michael D. Almquist 2232 12th Avenue West Seattle, Washington 98119	
Brett L. Helsel (1) c/o F5 Networks, Inc. 200 First Avenue West, Suite 500 Seattle, WA 98119	
Steven Goldman (1) c/o F5 Networks, Inc. 2000 First Avenue West, Suite 500 Seattle, WA 98119	
Britannia Holdings Limited P.O. Box 556 Main Street Charlestown, Nevis	
Menlo Ventures VII, L.P.	
Taylor Hussey Family Trust	
Becky Arnett Hussey	
Gerald W. Hussey and Helen J. Hussey	
Gary Pittman	
Joann M. Reiter	
Total:	1,500,000

ADDITIONAL
SELLING SECURITYHOLDERS

PART B

NAME AND ADDRESS OF ADDITIONAL SELLING SECURITYHOLDERS	NUMBER OF SHARES TO BE SOLD
Total:	300,000

(1) Affiliated Selling Securityholder

[Heller Ehrman White & McAuliffe Letterhead]

September 8, 1999

F5 Networks, Inc.
200 First Avenue West, Suite 500
Seattle, Washington 98119

Dear Ladies and Gentlemen:

This opinion is delivered in our capacity as counsel to F5 Networks, Inc., a Washington corporation (the "Company"), in connection with the preparation and filing by the Company with the Securities and Exchange Commission (the "Commission") of a Registration Statement on Form S-1 (the "Registration Statement") relating to (i) the authorization and issuance of 500,000 shares of common stock, no par value, of the Company (the "Issuer Shares") and (ii) the sale of 1,500,000 shares of the Company's common stock, no par value (the "Selling Shareholder Shares") by certain shareholders of the Company (the "Selling Shareholders"). The Issuer Shares and the Selling Shareholder Shares will be sold pursuant to an underwriting agreement (the "Underwriting Agreement") to be entered into between the Company (selling shareholders) and Hambrecht & Quist LLC (the "Representative"), as representative of the underwriters (the "Underwriters") listed on Schedule I to the Underwriting Agreement.

I.

We have assumed the authenticity of all records, documents and instruments submitted to us as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all records, documents and instruments submitted to us as copies. We have based our opinion upon our review of the following records, documents, instruments and certificates:

(a) The Registration Statement;

(b) The form of the proposed Underwriting Agreement;

(c) The Articles of Incorporation (including all amendments thereto and restatements thereof) of the Company certified by the Washington Secretary of State as of September 8, 1999, and certified to us by an officer of the Company as being complete and in full force and effect as of the date of this opinion;

(d) The Bylaws of the Company (and all amendments thereto) certified to us by an officer of the Company as being complete and in full force and effect as of the date of this opinion;

(e) A Certificate of Existence/Authorization relating to the Company issued by the Washington Secretary of State dated September 8, 1999;

(f) Records of the corporate proceedings of the Company certified to us by an officer of the Company constituting all records of proceedings and actions of the Company's board of directors relating to the transactions contemplated by the Underwriting Agreement and the issuance of the Selling Shareholder Shares by the Company to the Selling Shareholders; and

(g) Certificates of officers of the Company as to certain factual matters.

We have also assumed that the Issuer Shares will be duly executed, authenticated and delivered on behalf of the Company prior to their issuance against the consideration therefor to be set forth in a supplement or supplements to the prospectus constituting a part of the Registration Statement. In addition, we have also assumed that the Registration Statement will have been declared effective by the Securities and Exchange Commission prior to, and will continue to be effective at the time of, the issuance of the Issuer Shares.

II.

This opinion is limited to the federal laws of the United States of America and the corporate law of the State of Washington, and we disclaim any opinion as to the laws of any other jurisdiction. We further disclaim any opinion as to any statute, rule, regulation,

ordinance, order or other promulgation of any regional or local governmental body or as to any related judicial or administrative opinion.

III.

Based upon the foregoing and our examination of such questions of law as we have deemed necessary or appropriate for the purpose of our opinion, and subject to the limitations and qualifications expressed below, it is our opinion that:

1. When the Issuer Shares are sold to the Underwriters and paid for pursuant to the terms of the Underwriting Agreement, the Issuer Shares will be duly authorized, validly issued and fully paid and non-assessable.

2. The Selling Shareholder Shares are validly issued and nonassessable.

IV.

We hereby consent to the filing of this opinion as an exhibit to, and to the use of this opinion in connection with, the Registration Statement and to the reference to this firm under the heading "Legal Matters" in the prospectus constituting a part of the Registration Statement.

This opinion is rendered to you and to purchasers of the Securities offered by you pursuant to the Registration Statement and is solely for the benefit of you and such purchasers. This opinion may not be relied upon by any other person, firm, corporation or other entity without our prior written consent. We disclaim any obligation to advise you of any change of law that occurs, or any facts of which we become aware, after the date of this opinion.

Very truly yours,

HELLER EHRMAN WHITE & McAULIFFE

/s/ Heller Ehrman White & McAuliffe

Exhibit 10-15

FOURTH AMENDMENT TO LEASE

THIS FOURTH AMENDMENT TO LEASE is made this 2nd day of July 1999, between First Avenue West Building L.L.C., a Washington Limited Liability Company ("Landlord" herein) and F5 Networks, Inc., ("Tenant" herein) for the premises located in the city of Seattle, County of King, State of Washington, commonly known as Suite 500, First West Building, 200 First Avenue West.

RECITALS

A. Landlord and Tenant are parties to that certain lease dated October 9th, 1997, the First Amendment to Lease dated July 23rd, 1998, the Second Amendment to Lease dated September 30, 1998, and the Third Amendment to Lease dated January 6, 1999 (the "Lease" herein). The Lease is made a part hereof as though set forth in full herein.

B. Landlord and Tenant hereby express their mutual desire and intend to amend by this writing those terms, covenants and conditions contained in "3. RENT" and "Premises Rentable Area, tenant proportionate share and security deposit" as shown on Lease Reference Page.

NOW, THEREFORE, as parties hereto, Landlord and Tenant Agree as follows:

AMENDMENTS:

1. Paragraph "3. RENT" shall as of August 1, 1999 be amended to hereinafter additionally provide as follows:

PERIOD	TERM	RATE/RSF	ANNUAL RENT	MONTHLY RENT
Year 1	(08/01/99 through 02/29/00)	$18.24	$384,104.04	$32,008.67
Year 2	(03/01/00 through 02/28/01)	$19.45	$409,421.04	$34,118.42
Year 3	(03/01/01 through 02/28/02)	$22.43	$472,277.04	$39,356.42
Year 4	(03/01/02 through 02/29/03)	$23.43	$493,329.96	$41,110.83
Year 5	(03/01/03 through 02/28/04)	$24.43	$514,383.00	$42,865.25

2. "Premises Rentable Area" as shown on Lease Reference Page shall be amended to reflect the additional suite 506 (2,385 RSF) as shown on Exhibit A on the fifth floor plus the existing suites totaling the square footage of 21,053 effective August 1, 1999.

3. "Tenant Proportionate Share" as shown on Lease Reference Page shall be amended to reflect the expanded suite percentage of 33.42% effective August 1, 1999.

4. "Security Deposit" as shown on the lease Reference Page shall be amended to reflect the addition of $17,490 to the existing security deposit to total $166,978.74 as tenant security deposit for the amended lease.

INCORPORATION:

5. Except as herein modified, all other terms and conditions of the Lease between the parties above described are ratified and affirmed and shall continue in full force and effect.

The parties hereto have executed this Fourth Amendment to Lease on the date specified below their respective signatures.

LANDLORD	TENANT
FIRST AVENUE WEST BUILDING L.L.C. A WASHINGTON LIMITED LIABILITY CO.	F5 NETWORKS, INC. A WASHINGTON CORPORATION
BY: _____ Fred W. Hines, Jr.	BY: _____ Jeffrey S. Hussey
ITS: MANAGING AGENT	ITS: President and CEO
DATE: _____	DATE: _____
	BY: _____ Robert J. Chamberlain
	ITS: _____
	DATE: _____

STATE OF WASHINGTON)
) SS
COUNTY OF SNOHOMISH)

I certify that I know or have satisfactory evidence that Fred. W. Hines, Jr. signed this instrument on oath, that he was authorized to execute said instrument as the managing agent of First Avenue West Building L.L.C. pursuant to the provisions of the Limited Liability Company and acknowledged said instrument as the managing agent of the First Avenue West Building L.L.C. to be the free and voluntary act of said Limited Liability Company for the uses and purposes mentioned in said instrument

Date:

Notary Public in and for the State of Washington residing at

Print Name
My appointment expires:

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

On this _____ day of _____, 19____, personally appeared before me JEFFREY S. HUSSEY, to me known to be the President and CEO 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 proposed therein mentioned, and on oath stated that he was authorized to execute said instrument on behalf of said corporation.

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

Date:

Notary Public in and for the State of Washington residing at

Print Name
My appointment expires:

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

On this _____ day of _____, 19____, personally appeared before me , to me known ROBERT J. CHAMBERLAIN to be the _____ 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 proposed therein mentioned, and on oath stated that he was authorized to execute said instrument on behalf of said corporation.

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

Date:

Notary Public in and for the State of Washington residing at
Print Name
My appointment expires:

Exhibit 10-16

FIFTH AMENDMENT TO LEASE

THIS FIFTH AMENDMENT TO LEASE is made this 5th day of July 1999, between First Avenue West Building L.L.C., a Washington Limited Liability Company ("Landlord" herein) and F5 Networks, Inc., ("Tenant" herein) for the premises located in the city of Seattle, County of King, State of Washington, commonly known as Suite 500, First West Building, 200 First Avenue West.

RECITALS

A. Landlord and Tenant are parties to that certain lease dated October 9th, 1997, the First Amendment to Lease dated July 23rd, 1998, the Second Amendment to Lease dated September 30, 1998, the Third Amendment to Lease dated January 6, 1999, and the Fourth Amendment to Lease dated July 2, 1999 (the "Lease" herein). The Lease is made a part hereof as though set forth in full herein.

B. Landlord and Tenant hereby express their mutual desire and intend to amend by this writing those terms, covenants and conditions contained in "3. RENT", "10. ASSIGNMENT AND SUBLETTING" and "Premises Rentable Area, tenant proportionate share and security deposit" as shown on Lease Reference Page.

NOW, THEREFORE, as parties hereto, Landlord and Tenant Agree as follows:

AMENDMENTS:

1. Paragraph "3. RENT" shall as of August 15, 1999 be amended to hereinafter additionally provide as follows:

PERIOD	TERM	RATE/RSF	ANNUAL RENT	MONTHLY RENT
Year 1	(08/15/99 through 02/29/00)	$18.63	$501,504.00	$41,792.00
Year 2	(03/01/00 through 02/28/01)	$19.79	$532,691.04	$44,390.92
Year 3	(03/01/01 through 02/28/02)	$22.34	$601,417.08	$50,118.09
Year 4	(03/01/02 through 02/29/03)	$23.34	$628,339.92	$52,361.66
Year 5	(03/01/03 through 02/28/04)	$24.34	$655,263.00	$54,605.25
Year 6	(03/01/04 through 02/28/05)	$25.00	$146,750.04	$12,229.17
Year 7	(03/01/05 through 08/14/05)	$26.00	$152,619.96	$12,718.33

2. "10. ASSIGNMENT AND SUBLETTING", with respect to the 5,870 square feet leased in the Fifth Amendment to Lease, Tenant shall not have the right to assign or pledge this Lease or to sublet the whole or any part of the Premises, whether voluntarily or by operation of law, or permit the use or occupancy of the Premises by anyone other than Tenant, or assign this Lease for security purposes, without the prior written consent of Landlord, whose consent will not be unreasonably withheld or delayed, and such restrictions shall be binding upon any assignee or subtenant to which Landlord has consented. In the event Tenant desires to sublet the Premises, or any portion thereof, or assign this Lease, Tenant shall give written notice thereof to Landlord at least ten (10) days prior to the proposed commencement date of such subletting or assignment, which notice shall set for the name of the proposed subtenant or assignee, the relevant terms of any sublease and copies of financial reports and other relevant financial information of the proposed subtenant or assignee.

The Tenant shall have the right to withdraw its request for consent to an assignment to prevent premature termination of the Lease. Similarly, the Tenant shall have the right to withdraw its request for approval of a sublease to prevent the recapture of any of its Premises by the Landlord. The Landlord's consent should not be required in connection with a corporate merger, reorganization, public offering or other corporate restructuring. The Landlord should have to exercise its right under this Article within ten (10) days of the Tenant's notice. The Tenant's obligation to reimburse Landlord for cost incurred in connection with review and approval of an assignment or a sublease should be capped at $500.00.

In addition to Landlord's right to approve of any subtenant or assignee, Landlord shall have the option, in its sole discretion, in the event of any proposed subletting or assignment, to terminate this Lease, or in the case of a proposed subletting of less than the entire Premises, to recapture the portion of the Premises to sublet, as of the date the subletting or assignment is to be effective. The option shall be exercised by Landlord's giving Tenant written notice thereof within ten (10) days following Landlord's receipt of Tenant's written notice as required above. If this Lease shall be terminated with respect to the entire Premises, the Term shall end on the date stated in Tenant's notice as the effective date of the sublease or assignment as if that date had been originally fixed in this Lease for the expiration of the Term. If Landlord recaptures only a portion of the Premises, the rent during the unexpired Term shall abate, proportionately, based on the rent as of the date immediately prior to such recapture. Tenant shall, at Tenant's own cost and expense, discharge in full any outstanding commission obligation on the part of Tenant with respect to this Lease, and any commissions which may be due and owing as a result of any proposed assignment or subletting. Consent by Landlord to any assignment or subletting shall not include consent to the assignment or transferring of any lease renewal option rights or space option rights of the Premises, special privileges or extra services granted to Tenant by this Lease, or addendum or amendment thereto or letter of agreement (and such options, rights, privileges or services shall terminate upon such assignment), unless Landlord specifically grants in writing such options, rights, privileges or services to assignee or subtenant. Any sale, assignment, mortgage, transfer of this Lease or subletting which does not comply with the provisions of this Article shall be void.

In the event that Tenant sells, sublets, assigns, or transfers this Lease and at any time receives periodic rent and/or other consideration which exceeds that which Tenant would at that time be obligated to pay to Landlord, Tenant shall pay to Landlord 100% (one hundred percent) of the gross increase in such rent as such rent is received by Tenant and 100% (one hundred percent) of any other consideration received by Tenant from such subtenant in connection with such sublease or in the case of an assignment of this Lease by Tenant, Landlord shall receive 100% (one hundred percent) of any consideration paid to Tenant by such assignee in connection with such assignment.

3. "Premises Rentable Area" as shown on Lease Reference Page shall be amended to reflect the additional suite 200 (5,870 RSF) shown on Exhibit A on the fifth floor plus the existing suites totaling the square footage of 26,923 effective August 15, 1999.

4. "Tenant Proportionate Share" as shown on Lease Reference Page shall be amended to reflect the expanded suite percentage of 42.73% effective August 15, 1999.

5. "Security Deposit" as shown on the lease Reference Page shall be amended to reflect the addition of $39,133.32 to the existing security deposit to total $206,112.06 as tenant security deposit for the amended lease.

6. "Term" as shown on the reference page shall as of August 15, 1999, be amended to hereinafter additionally provide as follows: "SIX (6) YEARS COMMENCING THE SOONER OF OCCUPANCY OR AUGUST 15, 1999 ON THE 5,870 SQUARE FEET ONLY ADDED BY THIS FIFTH AMENDMENT"

INCORPORATION:

7 Except as herein modified, all other terms and conditions of the Lease between the parties above described are ratified and affirmed and shall continue in full force and effect.

The parties hereto have executed this Fifth Amendment to Lease on the date specified below their respective signatures.

LANDLORD	TENANT
FIRST AVENUE WEST BUILDING L.L.C. A WASHINGTON LIMITED LIABILITY CO.	F5 NETWORKS, INC. A WASHINGTON CORPORATION
BY: _____	BY: _____
Fred W. Hines, Jr.	Jeffrey S. Hussey
ITS: Managing Agent	ITS: President and CEO
DATE: _____	DATE: _____
	BY: _____
	Robert J. Chamberlain
	ITS: _____
	DATE: _____

STATE OF WASHINGTON)
) SS
COUNTY OF SNOHOMISH)

I certify that I know or have satisfactory evidence that FRED W. HINES, JR. signed this instrument on oath, that he was authorized to execute said instrument as the Managing Agent of FirstAvenue West Building L.L.C. pursuant to the provisions of the Limited Liability Company and acknowledged said instrument as the managing agent of the First Avenue West Building L.L.C. to be the free and voluntary act of said Limited Liability Company for the uses and purposes mentioned in said instrument

Date:

Notary Public in and for the State of Washington residing at

Print Name
My appointment expires:

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

On this _____ day of _____, 19____, personally appeared before me JEFFREY S. HUSSEY, to me known to be the President and CEO 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 proposed therein mentioned, and on oath stated that he was authorized to execute said instrument on behalf of said corporation.

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

Date:

Notary Public in and for the State of Washington residing at
Print Name
My appointment expires:

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

On this _____ day of _____, 19____, personally appeared before me ROBERT J. CHAMBERLAIN, to me known to be the _____ 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 proposed therein mentioned, and on oath stated that he was authorized to execute said instrument on behalf of said corporation.

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

Date:

Notary Public in and for the State of Washington residing at
Print Name
My appointment expires:

401 ELLIOTT WEST

OFFICE LEASE AGREEMENT

BETWEEN

401 ELLIOTT WEST LLC

AND

F5 NETWORKS, INC.

1. BASIC LEASE TERMS

Section 1 represents a summary of the basic terms of this Office Space Lease for 401 Elliott West.

a.	DATE OF LEASE:	July 31, 1999
b.	TENANT:	F5 Networks, Inc.
	ADDRESS OF LEASED PREMISES:	401 Elliott Avenue West Seattle, WA 98119
	ADDRESS FOR BILLING AND NOTICES:	Prior to Commencement Date: 200 First Avenue West, Suite 500 Seattle, WA 98119 Phone: (206) 505 0800 Fax: (206) 505 0897 Attn: Joann Reiter, General Counsel Same as above except the address shall be the same as Premises after commencement of the Lease.
c.	LANDLORD:	401 Elliott West L.L.C.
	ADDRESS FOR NOTICES:	c/o Koehler McFadyen & Company 1601 Fifth Avenue, Suite 2210 Seattle, WA 98101 Phone: (206) 682 2680 Fax: (206) 467 5975 Attn: Steve Koehler or such other place as Landlord may from time to time designate by notice to Tenant
d.	PREMISES AREA:	83,097 rentable square feet, Floors 1 through 4 of Building Two
e.	BUILDING AREA: TENANT'S PERCENTAGE OF BUILDING	84,808 rentable square feet 97.98%
f.	PROJECT AREA TENANT'S PERCENTAGE OF PROJECT:	297,682 rentable square feet 27.91%
g.	TERM OF LEASE:	This Lease shall commence on July 1, 2000 or such earlier or later date as is provided in Section 3 (the "Commencement Date") and shall terminate on the last day of the one hundredth and forty-fourth (144th) full calendar month after the Commencement Date (the "Expiration Date").
h.	BASE MONTHLY RENT:	$164,462.81
i.	PARKING:	Initial Monthly Charge of $100.00 per month for each Parking Permit. Number of parking permits allocated to Tenant: 158 spaces.
j.	RENT ADJUSTMENT(S):	MONTHS — BASE MONTHLY RENT 61 - 72 — $173,118.75 73 - 84 — $176,581.13 85 - 96 — $180,043.50 97 - 108 — $183,505.88 109 - 144 — $186,968.25
k.	ADDITIONAL RENT - ESTIMATED INITIAL TENANT'S SHARE OF EXPENSES:	$46,742.06 per month

l.	SECURITY DEPOSIT:	$2,500,000 in the form of a Letter of Credit as further described in Section 6 and Exhibit H.
m.	NON-REFUNDABLE CLEANING FEE	N/A
n.	PREPAID RENT	N/A
o.	TENANT'S USE OF PREMISES:	General Purpose Office with, Shipping/Light Manufacturing Facility & Storage Space on the First Floor
p.	BROKERS: TO BE PAID BY:	Douglas Hanafin, Washington Partners, Inc. Landlord
q.	GUARANTOR(S):	N/A
r.	ADDITIONAL TERMS:	Sections 29 to 42
s.	EXHIBIT(S):	Exhibit A - The Premises Exhibit B - The Building and the Project Exhibit C - Building Shell and Core Outline Specifications Exhibit D - Signage Criteria Exhibit E - Janitorial Specifications Exhibit F- Tenant Work Letter Exhibit G Option Space Performance Criterion Exhibit H Form of Letter of Credit

2. PREMISES/COMMON AREAS/PROJECT.

a. PREMISES. Landlord leases to Tenant the premises described in Section 1 and in Exhibit A (the "Premises"), located in the Building described on Exhibit B. The Building is part of a larger, multi-building development shown on Exhibit B (the "Project", with the buildings collectively referred to as the "Buildings"). Upon completion of the Tenant Improvements to the Premises, Landlord shall cause the rentable square footage of the Premises to be measured by Landlord's architect using the BOMA American National Standard Institute Publication, ANSI Z65.1-1996 standards (the "Rentable Square Footage"), which measurement shall govern with respect to the Premises Area of Section 1(d). Tenant shall have the right to have a Washington-licensed surveyor approved by Landlord and jointly responsible to Landlord and Tenant verify the Premises Net Rentable Area determined by Landlord's Architect, if it does so within twenty (20) days after receipt of the notice from Landlord's Architect. If based on such verification Tenant disagrees with the Net Rentable Area determined by Landlord's Architect it shall advise Landlord and its Architect of the deviation within ten (10) days thereafter or be deemed to have accepted Landlord's Architect's determination. If Tenant gives a timely notification of disagreement, then the parties shall jointly select a Washington-licensed surveyor to review the calculations of Landlord's architect and the Tenant selected surveyor and make the determination of Premises Net Rentable Area, which determination shall be final and binding on the parties. Landlord shall cause each building within the Project to be similarly measured for the purposes of Sections 1(e) and 1(f) upon completion of the interior improvements of such building(s). Each building shall be deemed added to the Project for the purposes of such computation upon the completion of the Building Shell and Core improvements, as defined in Exhibit C, to such building and the computations of Section 1, if delayed pending final measurement of Rentable Square Footage, shall be deemed retroactive to such date.

b. COMMON AREAS. As used in this Lease, "Common Areas" shall mean all portions of the Project not leased or demised for lease to specific tenants. During the Lease Term, Tenant and its licensees, invitees, customers and employees shall have the non-exclusive right to use the public portions of the Common Areas, including all parking areas, landscaped areas, entrances, lobbies, elevators, stairs, corridors, and public restrooms in common with Landlord, other Project tenants and their respective licensees, invitees, customers and employees. Landlord shall be entitled to create limited Common Areas within specified Buildings for exclusive use of the tenants within such Buildings. Landlord shall at all times have exclusive control and management of the Common Areas and no diminution thereof shall be deemed a constructive or actual eviction or entitle Tenant to compensation or a reduction or abatement of rent. Landlord in its discretion may increase, decrease or change the number, locations and dimensions of any Common Areas and other improvements shown on Exhibit B, and/or designate such areas limited Common Areas assigned to particular buildings within the Project.

c. PROJECT. Landlord reserves the right in its sole discretion to modify or alter the configuration or number of buildings in the Project, so long as such modification or alteration does not materially modify or alter Tenant's Premises and provided only that upon such modification or alteration, the Project Area as set forth in Section 1(e) shall be adjusted to reflect such modification or alteration using the BOMA American National Standard Institute Publication, ANSI Z65.1-1996.

3. TERM. The Commencement Date listed in Section 1 of this Lease represents an estimate of the actual Commencement Date. The actual Commencement Date shall be the first to occur of the following events: (i) the date Tenant has substantially commenced the use and occupancy of the Premises or any portion thereof for purposes other than completion of the Tenant Work (as defined in Exhibit F), or (ii) one hundred twenty (120) days (the "Tenant Work Period") after the Delivery Date as defined in Exhibit F. The scheduled Delivery Date is February 29, 2000. As used herein, "Unexcused Delay" means the failure to meet an applicable deadline when caused by delays other than Tenant Delay or Force Majeure. "Day(s) of Unexcused Delay" means the number of days of delay past the applicable deadline caused by Unexcused Delay (excluding the effect of Tenant Delay or Force Majeure).

The Tenant Work Period shall be extended by the amount of any Unexcused Delay. If on September 1, 2000, as a result of Unexcused Delay either (w) the Tenant Work is not yet substantially complete or (x) Tenant cannot occupy the Premises because the condition of the Building Shell and Core prevents issuance of such building permit sign offs as are necessary for beneficial occupancy of the Premises, then in addition to any extension of the Tenant Work Period as specified above, Tenant shall receive a credit against Base Rent that first becomes due under this Lease, in an amount equal to one (1) day of Base Rent for each such Day of Unexcused Delay. If, on November 1, 2000, as a result of Unexcused Delay either (y) the Tenant Work is not yet substantially complete or (z) Tenant cannot occupy the Premises because the condition of the Building Shell and Core prevents issuance of such building permit sign offs as are necessary for beneficial occupancy of the Premises, and Landlord does not substantially complete the Building Shell and Core so that (subject to the completion of the Tenant Work), building permit sign offs can be issued allowing Tenant to use and occupy the Premises for its intended purposes within thirty (30) days after written notice from Tenant of Tenant's intention to terminate this Lease as provided in this sentence, then Tenant may terminate this Lease by written notice given to Landlord at any time after the end of such thirty (30) day period and prior to the date the Building Shell and Core is substantially complete. If the Commencement Date is later than the estimated Commencement Date specified in Section 1 above, then, except as otherwise provided in this Section 3, this Lease shall not be void or voidable and Landlord shall not be liable to Tenant for such delay.

Following the Commencement Date, Landlord shall confirm such date to Tenant in writing. Any dispute between Landlord and Tenant with respect to the terms and application of this Section 3 and Exhibits C and F attached shall be subject to binding arbitration in accordance with Section 39 of this Lease. All provisions of this Lease, other than those relating to the commencement of the Lease Term, the payment of Base Rent and Additional Rent, shall become effective on the date Tenant or its contractor or employees are first present on the Premises for construction, installation, move-in or other purposes.

4. RENT

a. BASE MONTHLY RENT. Tenant shall pay Landlord monthly base rent in the initial amount in Section 1 which shall be payable monthly in advance on the first day of each and every calendar month ("Base Monthly Rent") provided, however, the first month's Base Monthly Rent and Tenant's Share of Expenses, including any adjustments for Rent Abatement as described in Section 30 below, is due and payable upon the earlier occurrence of (a) February 1, 2000 or (b) the Commencement Date of Tenant's Premises.

For purposes of Section 467 of the Internal Revenue Code, the parties to this Lease hereby agree to allocate the stated Rents, provided herein, to the periods which correspond to the actual Rent payments as provided under the terms and conditions of this agreement.

b. RENT ADJUSTMENT.

1) Base Monthly Rent shall be increased periodically to the amounts and at the times set forth in Section 1(j).

c. EXPENSES. The purpose of this Section 4(c) is to ensure that Tenant bears its proportionate share of all actual Expenses related to the use, maintenance, ownership, repair or replacement, and insurance of the Building in which the Premises is located and associated Common Areas. Accordingly, beginning on the date Tenant takes possession of the Premises, Tenant shall each month pay to Landlord one-twelfth (1/12) of Tenant's Share of Expenses related to the Building and Associated Common Areas. As used in this Lease, "Tenant's Share" shall mean the Premises Area, as defined in
Section 1(d), divided by the Building Area, as defined in Section
1(e), and "Tenant's Share of Expenses" shall mean total Expenses for the Building and associated Common Areas, multiplied by Tenant's Share, provided that Landlord may specially allocate individual expenses where and in the manner necessary, in Landlord's discretion, to appropriately reflect the consumption of the expense or service. For example where some but not all premises in the Building have HVAC, Landlord may reallocate Building Expenses for HVAC to all premises utilizing HVAC to be apportioned on a per square foot basis, or could allocate to each premises utilizing HVAC the cost of maintaining that space's individual unit. In the event the average occupancy level of the Building or the Project for any year is less than ninety five percent (95%), the actual Expenses for the Building or the Project for such year shall be proportionately adjusted to reflect those costs which Landlord estimates would have been incurred, had the Building or Project, as applicable, been ninety five percent (95%) occupied during such year, such that Tenant's Share of Expenses more accurately reflects Tenant's actual usage. The Building is part of a larger, multi-building project described on Exhibit B hereto. In the event any Expenses are billed on a multi-building basis, Tenant's Share of such Expenses shall be charged based on the ratio of the Premises Area, as defined in Section 1(d) divided by the Project Area, defined in Section 1(f). The intent of the parties is to make rental payable by Tenant and other tenants in the Project absolutely net to Landlord assuming at least 95% occupancy, except for items expressly excluded in Section 4(c)(1)(f).

1) EXPENSES DEFINED. The term "Expenses" shall mean all costs and expenses of the ownership, operation, maintenance, repair or replacement, and insurance of the Project (allocated on a building-by-building basis, to the extent so provided above), including without limitation, the following costs:

(a) All supplies, materials, labor, equipment, and utilities used in or related to the operation and maintenance of the Project,

(b) All maintenance, management, janitorial, legal, accounting, insurance, and service agreement costs related to the Project. If the Building is managed by an affiliate of Landlord, building management fees in excess of management fees charged by independent property managers for comparable buildings in the Building's geographic market area shall be excluded from defined expenses.

(c) All maintenance, replacement and repair costs relating to the areas within or around the Project, including, without limitation, air conditioning systems, sidewalks, landscaping, service areas, driveways, parking Areas (including resurfacing and restriping parking areas), walkways, building exteriors (including painting), signs and directories, repairing and replacing roofs, walls, etc. These costs may be included either based on actual expenditures or the use of an accounting reserve based on past cost experience for the Project.

(d) Amortization (along with reasonable financing charges) of capital betterments made to the Project which may be required by any government authority or which will improve the operating efficiency of the Project (provided, however, that the amount of such amortization for improvements not mandated by government authority shall not exceed in any year the amount of costs reasonably determined by Landlord in its sole discretion to have been saved by the expenditure either through the reduction or minimization of increases which would have otherwise occurred).

(e) Real Property Taxes including all taxes, assessments (general and special) and other impositions or charges which may be taxed, charged, levied, assessed or imposed upon all or any portion of or in relation to the Project or any portion thereof, any leasehold estate in the Premises or measured by Rent from the Premises, including any increase caused by the transfer, sale or encumbrance of the Project or any portion thereof. "Real Property Taxes" shall also include any form of assessment, levy, penalty, charge or tax (other than estate, inheritance, net income, or franchise taxes) imposed by any authority having a direct or indirect power to tax or charge, including, without limitation, any city, county, state federal or any improvement or other district, whether such tax is (1) determined by the value of the Project or the Rent or other sums payable under this Lease; (2) upon or with respect to any legal or equitable interest of Landlord in the Project or any part thereof; (3) upon this transaction or any document to which Tenant is a party creating a transfer in any interest in the Project, (4) in lieu of or as a direct substitute in whole or in part of or in addition to any real property taxes on the Project, (5) based on any parking spaces or parking facilities provided in the Project, or (6) in consideration for services, such as police protection, fire protection, street, sidewalk and roadway maintenance, refuse removal or other services that may be provided by any governmental or quasi-governmental agency from time to time which were formerly provided without charge or with less charge to property owners or occupants.

(f) Landlord agrees that Expenses as defined in Section 4(c) shall not include the following: (i) the cost of any special services rendered to individual tenants for which a separate charge is billed; (ii) costs of capital betterments except as provided in subsection 4(c)(1)(d) above; (iii) Legal fees, brokerage commissions, advertising costs, or other related expenses incurred by Landlord in an effort to generate rental income; (iv) Repairs, alterations, additions, improvements or replacements made to rectify or correct any defect in the original design, materials or workmanship of Building or common areas (but not including repairs, alterations, additions, improvements or replacements made as a result of ordinary wear and tear); (v) Damage and repairs attributable to fire or other casualty for which Landlord is reimbursed from insurance proceeds;
(vi) (a) Executive Salaries or (b) Salaries of service personnel for performance of services except to the extent incurred directly in connection with the management, operation, repair or maintenance of the Building; (viii) Landlord's general overhead expenses not related to the Building, provided that Landlord shall be allowed to include the value of any rent-free or rent-reduced occupancy in the Building if such is given to the managing entity in lieu of a higher management fee; (ix) Legal fees, accountants' fees and other expenses incurred in connection with disputes with tenants or other occupants of the Building or associated with the enforcement of the terms of any leases with other tenants or otherwise incurred for any reason other than for the general benefit of all tenants in the Building; (x) Costs (including permit, license and inspection fees) incurred in renovating or otherwise improving, decorating, painting or altering (a) vacant space (excluding common areas) in the Building, or (b) space for tenants or other occupants in the Building, or
(c) costs incurred in supplying any improvement item specifically for, or specific services to, other tenants in the Building; (xi) Principal and/or interest payments called for under any debt secured by a mortgage or deed of trust on the Building; (e) Landlord shall not attempt to collect in excess of one hundred percent (100%) of Operating Expenses and shall not recover any item of cost more than once; (xiii) Any bad debt loss, rent loss, or reserves for bad debts or rent loss; (xiv) All items and services for which Tenant or any other tenant in the Building otherwise reimburses Landlord; (xv) Electric power costs for which any tenant directly contracts with the local public service company; (xvi) Costs arising from Landlord's political or charitable contributions; (xvii) Costs, other than those incurred in ordinary maintenance, for the purchase and installation of sculpture, paintings or other objects of art; (xviii) Tax penalties incurred as a result of Landlord's negligence, inability or unwillingness to make payments when due; (xix) Costs incurred due to a violation by Landlord or any other tenant of the Building of the terms and conditions of any lease; (xx) Costs and expenses incurred in complying with hazardous waste and environmental laws where the

lack of compliance is caused by hazardous waste brought into the Project by Landlord, its employees, agents or contractors or other tenants; (xxi) Costs or expenses which would be capitalized under generally accepted accounting principals, and which relate to the initial completion of the Premises, load bearing walls and other structural elements of the Building or the Project, or during the initial Lease Term related to the replacement of the heating and air conditioning and other Building and Project systems; and (xxii) direct costs of managing the Garage paid to third party garage operators such as management fees, attendants, cashiers and maintenance of ticket dispensing equipment.

2) ANNUAL ESTIMATE OF EXPENSES, TENANT'S SHARE. When Tenant takes possession of the Premises, Landlord shall estimate Tenant's share of Expenses for the remainder of the calendar year, and at the commencement of each calendar year thereafter, Landlord shall estimate Tenant's Share of Expenses for the coming year by multiplying the appropriate estimated annual Building or Project Expenses by Tenant's Share.

3) MONTHLY PAYMENT OF EXPENSES. Tenant shall pay to Landlord, monthly in advance, as Additional Rent, one-twelfth (1/12) of the Annual Estimate of Tenant's Share of Expenses beginning on the date Tenant takes possession of the Premises. As soon as practical following each calendar year, Landlord shall prepare an accounting of actual Expenses incurred during the prior calendar year and such accounting shall reflect Tenant's Share of Expenses. If the Additional Rent paid by Tenant under this
Section 4(c)(3) during the preceding calendar year was less than the actual amount of Tenant's Share of Expenses, Landlord shall so notify Tenant and Tenant shall pay such amount to Landlord within 30 days of receipt of such notice. Such amount shall be deemed to have accrued during the prior calendar year and shall be due and payable from Tenant even though the term of this Lease has expired or this Lease has been terminated prior to Tenant's receipt of this notice. Tenant shall have thirty (30) days from receipt of such notice to contest the amount due, failure to so notify Landlord shall represent final determination of Tenant's Share of Expenses. If Tenant's payments were greater than the actual amount, then such overpayment shall be credited by Landlord to Tenant's Share of Expenses due under this Section 4(c)(3). If such overpayment is determined after termination of this Lease, then such overpayment shall be paid by Landlord to Tenant within thirty (30) days after the annual expense statement is completed with deduction of any remaining sums owed by Tenant to Landlord.

4) RENT WITHOUT OFFSET AND LATE CHARGE. As used herein, "Rent" shall mean all monetary sums due from Tenant to Landlord. All Base Monthly Rent shall be paid by Tenant to Landlord without prior notice or demand in advance on the first day of every calendar month, at the address shown in Section 1, or such other place as Landlord may designate in writing from time to time. Whether or not so designated, all other sums due from Tenant under this Lease shall constitute Additional Rent, payable without prior notice or demand when specified in this Lease, but if not specified, then within thirty (30) days of demand, during which time the parties will work to resolve any good faith disagreements on the amount due. All Rent shall be paid without any deduction or offset whatsoever except as otherwise specifically provided herein. All Rent shall be paid in lawful currency of the United States of America. Proration of Rent due for any partial month shall be calculated by dividing the number of days in the month for which Rent is due by the actual number of days in that month and multiplying by the applicable monthly rate. Tenant acknowledges that late payment by Tenant to Landlord of any Rent, Additional Rent or other sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such cost being extremely difficult and impracticable to ascertain. Such costs include, without limitation, processing and accounting charges and late charges that may be imposed on Landlord by the terms of any encumbrance or note secured by the Premises. Therefore, if any Rent or other sum due from Tenant is not received within five (5) business days of the date due, Tenant shall pay to Landlord an additional sum equal to 5% of such overdue payment. Landlord and Tenant hereby agree that such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any such late payment and that the late charge is in addition to any and all remedies available to the Landlord and that the assessment and/or collection of the late charge shall not be deemed a waiver of any other default. Additionally, all such delinquent Rent or other sums, plus this late charge, which are more than thirty (30) days past due, shall bear interest at the rate of 15 percent per annum. If the interest rate specified in this Lease is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal interest rate permitted by law. Any payments of any kind returned for insufficient funds will be subject to an additional handling charge of $25.00, and thereafter, Landlord may require Tenant to pay all future payments of Rent or other sums due by money order or cashier's check.

5) REVIEW AND AUDIT RIGHT. Tenant shall have the right (no more frequently than once per calendar year) to review Landlord's books and records pertaining to Expenses for the prior year. Tenant may cause an audit of Landlord's books and records which will be conducted

by an independent certified public accountant designated by Tenant. If any such audit discloses Tenant overpaid its share of Expenses for any calendar year, Landlord shall pay Tenant the amount of the overpayment within thirty (30) days after the results of the audit have been disclosed to both parties. If any such audit discloses that Tenant underpaid its share of Expenses during any calendar year, Tenant shall pay Landlord the amount of the underpayment within thirty (30) days after the results of the audit have been disclosed to both parties. All costs and expenses of the audit shall be paid by Tenant; however, if the audit shows Landlord overstated Tenant's share of expenses for the subject calendar year by more than five percent (5%) of the amount actually payable by Tenant, Landlord shall reimburse Tenant for the reasonable costs and expenses of the audit within thirty (30) days of receipt of Tenant's notice of the amount due. Any review or audit of Landlord's books and records pertaining to Expenses shall occur at the office of the Building manager or at such other location in the Seattle Metropolitan Area as Landlord or its Building manager may designate and shall occur during the normal business hours of the Building manager, unless otherwise agreed by Landlord and Tenant. The results of the audit and any information obtained by Tenant from the audit or Tenant's review of Landlord's books and records shall be kept confidential and not disclosed to any other person or entity, including any other tenant of the Building or the Project, except as required by court order or applicable law.

5. PREPAID RENT. Tenant shall, in addition to the payment of the first month's Rent as set forth in Section 4(a), pay to Landlord the prepaid Rent set forth in Section 1(n), and if Tenant is not in default of any provisions of this Lease, such prepaid Rent shall be applied toward Base Monthly Rent for the months set forth in Section 1(n). Landlord's obligations with respect to the prepaid Rent are those of a debtor and not of a trustee, and Landlord can commingle the prepaid Rent with Landlord's general funds. Landlord shall not be required to pay Tenant interest on the prepaid Rent. Landlord shall be entitled to immediately endorse and cash Tenant's prepaid Rent; however, such endorsement and cashing shall not constitute Landlord's acceptance of this Lease. In the event Landlord does not accept this Lease, Landlord shall return said prepaid Rent.

6. DEPOSIT. Upon execution of this Lease, Tenant shall deposit a security deposit as set forth in Section 1(l) with Landlord in the form of an irrevocable, unconditional letter of credit from an acceptable financial institution. The form of the Letter of Credit and the terms under which it shall be extinguished is provided in Exhibit H, Form of Letter of Credit. If Tenant is in default, Landlord can use the Letter of Credit or any portion of it to cure the default or to compensate Landlord for any damages sustained by Landlord resulting from Tenant's default. Upon demand, Tenant shall immediately restore the Letter of Credit to its full amount. In no event will Tenant have the right to apply any part of the security deposit to any Rent or other sums due under this Lease. If Tenant is not in default at the expiration or termination of this Lease, Landlord shall return the Letter of Credit to Tenant. Landlord shall not be required to pay Tenant interest on the security deposit.

7. USE OF PREMISES AND PROJECT FACILITIES. Tenant shall use the Premises solely for the purposes set forth in Section 1 and for no other purpose without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or with respect to the suitability of the Premises or the Project for the conduct of Tenant's business, nor has Landlord agreed to undertake any modification, alteration or improvement to the Premises or the Project, except as provided in writing in this Lease. Tenant acknowledges that Landlord may from time to time, at its sole discretion, make such modifications, alterations, deletions or improvements to the Project as Landlord may deem necessary or desirable, without compensation or notice to Tenant as long as such modifications, alterations, deletions or improvements do not materially alter Tenant's use of its Premises. Tenant shall promptly comply with all laws, ordinances, orders and regulations affecting the Premises and the Project, including, without limitation, any rules and regulations that may be attached to this Lease and to any reasonable modifications to these rules and regulations as Landlord may adopt from time to time. Tenant acknowledges that, except for Landlord's obligations pursuant to Section 13, Tenant is solely responsible for ensuring that the Premises comply with any and all governmental regulations applicable to Tenant's conduct of business on the Premises, and that Tenant is solely responsible for any alterations or improvements that may be required by such regulations, now existing or hereafter adopted. Tenant shall not do or permit anything to be done in or about the Premises or bring or keep anything in the Premises that will in any way increase the premiums paid by Landlord on its insurance related to the Project or which will in any way increase the premiums for fire or casualty insurance carried by other tenants in the Project. Tenant will not perform any act or carry on any practices that may injure the Premises or the Project; that may be a nuisance or menace to other tenants in the Project; or that shall in any way interfere with the quiet enjoyment of such other tenants. Tenant shall not use the Premises for sleeping, washing clothes, cooking or the preparation, manufacture or mixing of anything that might emit any objectionable odor, noises, vibrations or lights onto such other tenants. If sound insulation is required to muffle noise produced by Tenant on the Premises, Tenant at its own cost shall provide all necessary insulation. Tenant shall not do anything on the premises which will overload any existing parking or service to the Premises. Pets and/or animals of any type shall not be kept on the Premises.

8. HAZARDOUS SUBSTANCES; DISRUPTIVE ACTIVITIES

a. HAZARDOUS SUBSTANCES.

(1) PRESENCE AND USE OF HAZARDOUS SUBSTANCES. Tenant shall not, without Landlord's prior written consent, keep on or around the Premises, Common Areas or Building, for use, disposal, treatment, generation, storage or sale, any substances designated as, or containing components designated as hazardous, dangerous, toxic or harmful, and/or is subject to regulation, statute or ordinance (collectively referred to as "Hazardous Substances"). Notwithstanding the preceding sentence, Tenant may keep, use, store and dispose of, in, on and from the Premises, materials and supplies otherwise constituting Hazardous Substances which are customarily used for the purposes set forth in Section 1, provided such materials and supplies are used, handled and disposed of in accordance with all applicable governmental rules, regulations, laws and requirements, and in accordance with prudent business practices. With respect to any such Hazardous Substance, Tenant shall:

(i) Comply promptly, timely, and completely with all governmental requirements for reporting, keeping, and submitting manifests, and obtaining and keeping current identification numbers;

(ii) Submit to Landlord true and correct copies of all reports, manifests, and identification numbers at the same time as they are required to be and/or are submitted to the appropriate governmental authorities;

(iii) Within five (5) days of Landlord's request, submit written reports to Landlord regarding Tenant's use, storage, treatment, transportation, generation, disposal or sale of Hazardous Substances and provide evidence satisfactory to Landlord of Tenant's compliance with the applicable government regulations;

(iv) Allow Landlord or Landlord's agent or representative to come on the Premises at reasonable times, with at least twenty four (24) hours prior notice to Tenant (except in an emergency, when no notice is required), to check Tenant's compliance with all applicable governmental regulations regarding Hazardous Substances;

(v) Comply with minimum levels, standards or other performance standards or requirements which may be set forth or established for certain Hazardous Substances (if minimum standards or levels are applicable to Hazardous Substances present on the Premises, such levels or standards shall be established by an on-site inspection by the appropriate governmental authorities and shall be set forth in an addendum to this Lease); and

(vi) Comply with all applicable governmental rules, regulations and requirements regarding the proper and lawful use, sale, transportation, generation, treatment, and disposal of Hazardous Substances.

(2) If Tenant violates any provisions of this section, then any and all costs incurred by Landlord and associated with Landlord's monitoring of Tenant's compliance with this Section 8, including Landlord's attorneys' fees and costs, shall be Additional Rent and shall be due and payable to Landlord immediately upon demand by Landlord.

b. CLEANUP COSTS, DEFAULT AND INDEMNIFICATION.

(1) Tenant shall be fully and completely liable to Landlord for any and all cleanup costs, and any and all other charges, fees, penalties (civil and criminal) imposed by any governmental authority with respect to Tenant's use, disposal, transportation, generation and/or sale of Hazardous Substances, in or about the Premises, Common Areas, or Building.

(2) Tenant shall indemnify, defend and save Landlord and Landlord's lender, if any, harmless from any and all of the costs, fees, penalties and charges assessed against or imposed upon Landlord (as well as Landlord's and Landlord's lender's attorneys' fees and costs) as a result of Tenant's use, disposal, transportation, generation and/or sale of Hazardous Substances.

(3) Upon Tenant's default under this Section 8, in addition to the rights and remedies set forth elsewhere in this Lease, Landlord shall be entitled to the following rights and remedies:

(i) At Landlord's option, to terminate this Lease immediately; and/or

(ii) To recover any and all damages associated with the default, including, but not limited to cleanup costs and charges, civil and criminal penalties and fees, loss of business and sales by Landlord and other tenants of the Building, any and all damages and claims asserted by third parties and Landlord's attorneys' fees and costs.

c. DISPOSAL OF WASTE

(1) REFUSE DISPOSAL. Tenant shall not keep any trash, garbage, waste or other refuse on the Premises except in sanitary containers and shall regularly and frequently remove same from the Premises. Tenant shall keep all incinerators, containers or other equipment used for storage or disposal of such materials in a clean and sanitary condition.

(2) SEWAGE DISPOSAL. Tenant shall properly dispose of all sanitary sewage and shall not use the sewage disposal system (a) for the disposal of anything except sanitary sewage or (b) in excess of the lesser amount (i) reasonably contemplated by the uses permitted under this Lease or (ii) permitted by any governmental entity. Tenant shall keep the sewage disposal system free of all obstructions and in good operating condition.

(3) DISPOSAL OF OTHER WASTE. Tenant shall properly dispose of all other waste or other matter delivered to, stored upon, located upon or within, used on, or removed from, the Premises in such a manner that it does not, and will not, adversely affect the (a) health or safety of persons, wherever located, whether on the Premises or elsewhere (b) condition, use or enjoyment of the Premises or any other real or personal property, wherever located, whether on the Premises or anywhere else, or (c) Premises or any of the improvements thereto or thereon including buildings, foundations, pipes, utility lines, landscaping or parking areas.

d. DISRUPTIVE ACTIVITIES. Tenant shall not:

(1) Produce, or permit to be produced, any intense glare, light or heat except within an enclosed or screened area and then only in such manner that the glare, light or heat shall not, outside the Premises, be materially different from the light or heat from other sources outside the Premises;

(2) Create, or permit to be created, any sound pressure level which will interfere with the quiet enjoyment of any real property outside the Premises, or which will create a nuisance or violate any governmental law, rule, regulation or requirement;

(3) Create, or permit to be created, any ground vibration that is materially discernible outside the Premises;

(4) Transmit, receive or permit to be transmitted or received, any electromagnetic, microwave or other radiation which is harmful or hazardous to any person or property in, or about the Project; or

(5) Create, or permit to be created, any noxious odor that is disruptive to the business operations of any other tenant in the Project.

9. SIGNAGE. All signing shall comply with rules and regulations set forth by Landlord as may be modified from time to time. Tenant shall place no window covering (e.g., shades, blinds, curtains, drapes, screens, or tinting materials) other than those installed per Exhibit C, stickers, signs, lettering, banners or advertising or display material on or near exterior windows or doors if such materials are visible from the exterior of the Premises, without Landlord's prior written consent. Similarly, Tenant may not install any alarm boxes, foil protection tape or other security equipment on the Premises without Landlord's prior written consent. Any material violating this provision may be destroyed by Landlord without compensation to Tenant. Allowed tenant signage is provided for in Section 39, Tenant Signage, and Exhibit D, Signage Criteria.

10. PERSONAL PROPERTY TAXES. Tenant shall pay before delinquency all taxes, assessments, license fees and public charges levied, assessed or imposed upon its business operations as well as upon all trade fixtures, leasehold improvements, merchandise and other personal property in or about the Premises.

11. BUILDING PARKING GARAGE.

a. GRANT OF NON-EXCLUSIVE RIGHT. Landlord grants to Tenant and Tenant's customers, suppliers, employees and invitees, a non-exclusive license to use up to 1.9 parking spaces per 1,000 rentable square feet of the Premises. The estimated number of parking spaces is set forth in Section 1(i). Landlord reserves the right at any time to grant similar non-exclusive use to other tenants, to promulgate rules and regulations relating to the use of such parking areas, including reasonable restrictions on parking by tenants and employees, to designate specific spaces for the use of any tenant, to make changes in the parking layout from time to time, and to establish reasonable time limits on parking.

b. LOCATION AND DESIGNATION. There shall exist within the Project a garage and surface parking area (collectively the "Garage"). Landlord shall issue to Tenant parking stickers, tags, or access cards (collectively referred to herein as a "Parking Permit") in a number equal to the number of allocated parking spaces specified in
Section 11 (a) above. Each Parking Permit will authorize parking in the Garage for one (1) car, twenty-four (24) hours a day, seven days a week subject to modification as provided in this Section 11. Landlord may designate, subject to change from time to time, certain areas within the Garage within which each car may be parked, and Tenant shall observe such designations. Tenant shall observe all reasonable rules and regulations promulgated by Landlord from time to time concerning the use of the Garage and shall supply such additional information relating to persons authorized to use the Garage as may be reasonably requested by Landlord from time to time, including automobile license numbers related to each Parking Permit. All such rules and regulations will apply fairly and equally to all tenants.

c. OPERATIONS. Landlord may maintain, at it's sole discretion, within the Garage or surface parking area, an area designated "visitor parking" which may be made accessible on an exclusive basis to visitors, clients and other invitees of Building tenants, including Tenant, on an hourly charge basis. Upon the Commencement of this Lease, the Garage shall be open to the general public during the hours of 7:00 a.m. through 7:00 p.m., Monday through Friday, excluding Building holidays. Landlord shall provide an access system to the enclosed portion of the Garage for use by Tenant during the periods the Garage is not open to the general public. Hours during which the general public will have access to the Garage shall be determined at Landlord's sole discretion and may be adjusted from time to time.

d. CHARGES. The initial monthly charge for the Parking Permits to be provided Tenant by Landlord shall be the amount set forth in Section 1(i) of the Lease. Such rate shall be in effect upon the Commencement Date of the Lease, subject to adjustment during each year of the Lease term based upon comparable parking rates for similar buildings in the Lower Queen Anne area (reflecting any applicable federal, state and local taxes and levies), however, in no event shall the rate set forth in Section 1(i) be increased for Tenant's allocated Parking Permits during the initial twelve (12) months of the Lease term and the rate during the second twelve (12) months of the lease term shall not be increased more than 5% above the rate set forth in Section 1(i). The above stated maximums on the percentage increase in rates shall not apply to any of Tenant's parking spaces associated with Tenant's expansion per Sections 34 or 35 of this Lease. Landlord shall maintain a parking validation system for use by tenant customers, clients and invitees. Tenant's monthly parking charge for all Parking Permits and the charges for all validated parking, if any, shall be billed to Tenant and shall be due as Additional Rent within ten (10) days after such billing. All hourly parking shall be priced comparably to the hourly parking rates charged by similar office buildings located in the area (reflecting any applicable federal, state and local taxes and levies).

e. HOV. Parking stalls required by the City of Seattle for Vanpool, carpool and other high occupancy vehicle or transportation management programs established under a required transportation management plan for the Building will be allocated to each tenant based upon the proportionate share of Parking Permits assigned that tenant for the Building, and any such HOV Parking Permits shall be counted against Tenant's total Permit allocation pursuant to
Section 11(a).

12. UTILITIES/SERVICES

a. UTILITIES/SERVICES. Landlord shall cause public utilities to furnish electricity, gas, water and sewer utilized in operating all normal facilities serving the Premises; and to furnish Tenant during Tenant's occupancy of the Premises:

(1) Hot and cold water at those points of supply provided for general use of Tenant in the Building; central heating and air conditioning in season and at such temperatures and in such amounts as are reasonably considered by Landlord to be standard for comparable buildings in the Lower Queen Anne area. Tenant shall set operating hours for the Building, subject to the reasonable approval of Landlord. For purposes of this Lease in determining the estimated amount in Section
1(k), normal business hours for the Building, Common Areas and the Garage of the Project are estimated to be 7:00 AM to 6:00 PM Monday through Friday and 7:00 AM to 1:00 PM Saturdays, excluding holidays. Routine maintenance, painting and electric lighting service for all public areas and special service areas of the Building shall be provided as reasonably requested by Tenant. During other than normal business hours for the Building such services shall be provided upon request of Tenant, and if reasonably available, Tenant shall bear the entire cost thereof as Additional Rent. Tenant shall have access to the Premises twenty four (24) hours per day, seven
(7) days per week, including holidays and weekends, subject to Building security systems and procedures.

(2) Janitorial service on a five (5) day week basis in accordance with the janitorial specifications attached hereto as Exhibit E (which standards shall be subject to reasonable modification by Landlord from time to time to reflect changes in the

industry). If Tenant requires janitorial service in excess of such established standards, and Landlord provides such service, Tenant shall pay any additional cost attributable thereto as Additional Rent.

(3) Electrical facilities to provide sufficient capacity to serve the electrical power needs of Landlord's equipment servicing the Building and including up to 3.0 watts per square foot of Tenant's Premises for convenience outlet loads and Tenant's miscellaneous equipment loads. In the event Tenant requires electrical service (e.g. the supply of power in a specific voltage or amperage configuration) other than what is provided by the Building to serve Tenant's equipment, and should the installation of such equipment require additional air conditioning capacity above that provided by the Building's standard system, then the cost of the installation and operation of the additional electrical service and air conditioning equipment, if any, shall be paid by Tenant.

In the event Tenant desires any of the aforementioned services in amounts in excess of those required to be provided by Landlord pursuant to the terms of Section 12(a) above, Tenant shall pay Landlord as Additional Rent hereunder the cost of providing such additional quantities.

b. INTERRUPTION. Failure by Landlord to any extent to furnish any service, or any cessation thereof, shall not render Landlord liable in any respect for damages to either person or property, nor be construed as an eviction of Tenant, nor work an abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Notwithstanding the foregoing, however, if an interruption of services for causes within Landlord's reasonable control materially impairs Tenant's ability to effectively use the Premises and if such interruption continues for more than three (3) consecutive days or ten (10) days out of twenty (20) day period, Tenant shall thereafter be entitled to abate rent as to that portion of the Premises which cannot be used, until the service is restored. Should any of the equipment or machinery utilized in supplying the services described herein break down, or for any cause cease to function properly, Landlord shall use reasonable diligence to repair same promptly, but Tenant shall have no right to terminate this Lease, and shall have no claim for rebate or abatement of rent or damages, on account of any interruption in service occasioned thereby or resulting therefrom. If any interruption of services resulting from causes within the reasonable control of Landlord continues for thirty (30) consecutive days or more, Tenant may terminate this Lease by written notice given to Landlord at any time prior to the date on which the services are restored or the interference ceases to the extent Tenant can reasonably use and occupy the Premises for its intended purposes. With respect to an interruption of services which results from causes outside the reasonable control of Landlord, if such interruption of services continues for more than thirty (30) consecutive days, unless the interruption is caused by Tenant, or by repairs or alterations requested by Tenant or necessary because of acts or omissions of Tenant (or its agents or employees), the Base Rent and Additional Rent shall equitably abate in proportion to the extent of the interference with Tenant's use of the Premises, commencing on the last day of such thirty (30) day period until the services are restored or the interference ceases to the extent Tenant can again reasonably use and occupy the Premises for its intended purposes, and if such interruption of services continues for more than one hundred eighty (180) consecutive days, Tenant may terminate this Lease by written notice given to Landlord at any time prior to the date on which the services are restored or the interference ceases to the extent Tenant can again reasonably use and occupy the Premises for its intended purposes.

13. MAINTENANCE. Landlord shall maintain, in good condition, the structural parts of the Premises, which shall include only the foundations, bearing and exterior walls (excluding glass), subflooring and roof (excluding skylights), the unexposed electrical, plumbing and sewerage systems, including those portions of the systems lying outside the Premises, gutters and downspouts on the Building and the heating, ventilating and air conditioning system servicing the Premises; provided, however, the cost of all such maintenance shall be considered "Expenses" for purposes of Section 4(c). Except as provided above, Tenant shall maintain and repair the Premises in good condition, including, without limitation, maintaining and repairing all walls, storefronts, floors, ceilings, interior and exterior doors, exterior and interior windows and fixtures and interior plumbing as well as damage caused by Tenant, its agents, employees or invitees. Upon expiration or termination of this Lease, Tenant shall surrender the Premises to Landlord in the same condition as existed at the commencement of the term, except for reasonable wear and tear or damage caused by fire or other casualty for which Landlord has received all funds necessary for restoration of the Premises from insurance proceeds.

14. ALTERATIONS. Tenant shall not make any alterations to the Premises other than Tenant's initial Tenant Improvements per Exhibit F, or to the Project, including any changes to the existing landscaping, without Landlord's prior written consent, which shall not be unreasonably withheld, delayed or conditioned for alterations not affecting structural elements or materially altering Building systems. If Landlord gives its consent to such alterations, Landlord may post notices in accordance with the laws of the state in which the premises are located. Any alterations made shall remain on and be surrendered with the Premises upon expiration or termination of this Lease, except that Landlord may, on or before expiration of the term, elect to require Tenant to remove any alterations which Tenant may have made to the Premises. 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. If Landlord elects to require

removal of the alterations, then at its own cost Tenant shall restore the Premises to the condition designated by Landlord in its election, before the last day of the term or within 30 days after notice of its election is given, whichever is later.

Should Landlord consent in writing to Tenant's alteration of the Premises, Tenant shall contract with a contractor reasonably approved by Landlord for the construction of such alterations, shall secure all appropriate governmental approvals and permits, and shall complete such alterations with due diligence in compliance with plans and specifications reasonably approved by Landlord. All work performed shall be done in workmanlike manner and with material (when not specifically described in the plans and specifications) of the quality and appearance customary in the trade for first-class construction of the type in which the Premises are located. All such construction shall be performed in a manner which will not interfere with the quiet enjoyment of other tenants of the Project. Tenant shall pay all costs for such construction and shall keep the Premises and the Project free and clear of all mechanics' liens which may result from construction by Tenant. If requested by Landlord, Tenant shall post a bond or other security reasonably satisfactory to Landlord to protect against liens. Tenant will pay directly or reimburse Landlord for any reasonable cost incurred by Landlord in reviewing plans and/or monitoring construction.

15. RELEASE AND INDEMNITY.

a. INDEMNITY. Tenant shall indemnify, defend (using legal counsel reasonably acceptable to Landlord) and save Landlord and its property manager harmless from all claims, suits, losses, damages, fines, penalties, liabilities and expenses (including Landlord's personnel and overhead costs and attorneys fees and other costs incurred in connection with claims, regardless of whether such claims involve litigation, but excluding consequential damages such as lost profits) resulting from any actual or alleged injury (including death) of any person or from any actual or alleged loss of or damage to, any property to the extent caused by (i) Tenant's occupation, use or improvement of the Premises, or that of its employees, agents or contractors, or (ii) any act or omission of Tenant or any subtenant, licensee, assignee or concessionaire of Tenant, or of any officer, agent, employee, guest or invitee of Tenant, or of any such entity in or about the Premises. Tenant agrees that the foregoing indemnity specifically covers actions brought by its own employees. This indemnity with respect to acts or omissions during the term of this Lease shall survive termination or expiration of this Lease. The foregoing indemnity is specifically and expressly intended to, constitute a waiver of Tenant's immunity under Washington's Industrial Insurance Act, RCW Title 51, to the extent necessary to provide Landlord with a full and complete indemnity from claims made by Tenant and its employees, to the extent provided herein. Tenant shall promptly notify Landlord of casualties or accidents occurring in or about the Premises. LANDLORD AND TENANT ACKNOWLEDGE THAT THE INDEMNIFICATION PROVISIONS OF SECTION 8.b AND THIS SECTION 15 WERE SPECIFICALLY NEGOTIATED AND AGREED UPON BY THEM.

b. LANDLORD INDEMNITY. Except as otherwise provided in this Section 15 or Section 16, Landlord shall indemnify, defend (using legal counsel reasonably acceptable to Tenant) and save Tenant harmless from all claims, suits, losses, fines, penalties, liabilities and expenses (including Tenant's personnel and overhead costs and attorneys' fees and other costs incurred in connection with claims, regardless of whether such claims involve litigation, but excluding consequential damages such as lost profits) resulting from any actual or alleged injury (including death) of any person or from any actual or alleged loss of or damage to, any property to the extent caused by the intentional misconduct or negligence of Landlord or of any employee or agent of Landlord in the Common Areas. Landlord agrees that the foregoing indemnity specifically covers actions brought by its own employees. This indemnity with respect to actions or omissions during the term of this Lease shall survive termination or expiration of this Lease. The foregoing indemnity is specifically and expressly intended to constitute a waiver of Landlord's immunity under Washington's Industrial Insurance Act, RCW Title 51, to the extent necessary to provide Tenant with a full and complete indemnity from claims made by Landlord and its employees to the extent of their negligence.
LANDLORD AND TENANT ACKNOWLEDGE THAT THE INDEMNIFICATION PROVISIONS OF SECTION 15 WERE SPECIFICALLY NEGOTIATED AND AGREED UPON BY THEM.

c. RELEASE. Tenant hereby fully and completely waives and releases all claims against Landlord for any losses or other damages sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises, including but not limited to: any defect in or failure of Project equipment; any failure to make repairs; any defect, failure, surge in, or interruption of Project facilities or services; any defect in or failure of Common Areas; broken glass; water leakage; the collapse of any Building component; or any act, omission or negligence of co-tenants, licensees or any other persons or occupants of the Building, provided only that the release contained in this Section 15.b shall not apply to claims for actual damage to persons or property (excluding consequential damages such as lost profits) resulting directly from Landlord's breach of its express obligations under this Lease which Landlord has not cured within a reasonable time after receipt of written notice of such breach from Tenant or any of Landlord's negligent or willfull misconduct.

d. LIMITATION ON INDEMNITY. In compliance with RCW 4.24.115 as in effect on the date of this Lease, all provisions of this Lease pursuant to which Landlord or Tenant (the "Indemnitor") agrees to indemnify the other (the "Indemnitee") against liability for damages arising out of bodily injury to Persons or damage to property relative to the construction, alteration, repair, addition to, subtraction

from, improvement to, or maintenance of, any building, road, or other structure, project, development, or improvement attached to real estate, including the Premises, (i) shall not apply to damages caused by or resulting from the sole negligence of the Indemnitee, its agents or employees, and (ii) to the extent caused by or resulting from the concurrent negligence of (a) the Indemnitee or the Indemnitee's agents or employees, and (b) the Indemnitor or the Indemnitor's agents or employees, shall apply only to the extent of the Indemnitor's negligence; PROVIDED, HOWEVER, the limitations on indemnity set forth in this Section shall automatically and without further act by either Landlord or Tenant be deemed amended so as to remove any of the restrictions contained in this Section no longer required by then applicable law.

e. DEFINITIONS. As used in any Section establishing indemnity or release of Landlord, "Landlord" shall include Landlord, its partners, officers, agents, employees and contractors, and "Tenant" shall include Tenant and any person or entity claiming through Tenant.

16. INSURANCE. Tenant, at its cost, shall maintain commercial general liability and property damage insurance and products liability insurance with a single combined liability limit of $2,000,000, insuring against all liability of Tenant and its representatives, employees, invitees, and agents arising out of or in connection with Tenant's use or occupancy of the Premises. Landlord may, from time to time, require modifications of the insurance coverages hereunder to reflect insurance coverages commonly provided in similar projects in the area. Commercial general liability insurance, products liability insurance and property damage insurance shall insure performance by Tenant of the indemnity provisions of Section 15. Landlord and its management contractor shall be named as additional insured and the policy shall contain cross-liability endorsements. On all its personal property, at its cost, Tenant shall maintain a policy of standard fire and extended coverage insurance with vandalism and malicious mischief endorsements and "all risk" coverage on all Tenant's improvements and alterations, including without limitation, all items of Tenant responsibility described in Section 13 in or about the Premises, to the extent of at least 90% of their full replacement value. The proceeds from any such policy shall be used by Tenant for the replacement of personal property and the restoration of Tenant's improvements or alterations. All insurance required to be provided by Tenant under this Lease: (a) shall be issued by Insurance companies authorized to do business in the state in which the Premises are located with a financial rating of at least an A IX status as rated in the most recent edition of Best's Insurance Reports; (b) shall be issued as a primary policy; shall be on an occurrence basis; and (d) shall contain an endorsement requiring at least 30 days prior written notice of cancellation to Landlord and Landlord's lender, before cancellation or change in coverage, scope or amount of any policy. Tenant shall deliver a certificate or copy of such policy together with evidence of payment of all current premiums to Landlord within 30 days of execution of this Lease. If Tenant fails at any time to maintain the insurance required by this Lease, and fails to cure such default within five (5) business days of written notice from Landlord then, in addition to all other remedies available under this Lease and applicable law, Landlord may purchase such insurance on Tenant's behalf and the cost of such insurance shall be Additional Rent due within ten (10) days of written invoice from Landlord to Tenant.

Landlord and Tenant release and relieve the other, and waive their entire right of recovery for loss or damage to property located within or constituting a part or all of the Building or the Project to the extent that the loss or damage is covered by (a) the injured party's insurance, or (b) the insurance the injured party is required to carry under this Article 16, whichever is greater. This waiver applies whether or not the loss is due to the negligent acts or omissions of Landlord or Tenant, or their respective officers, directors, employees, agents, contractors, or invitees. Each of Landlord and Tenant shall have their respective property insurers endorse the applicable insurance policies to reflect the foregoing waiver of claims, provided however, that the endorsement shall not be required if the applicable policy of insurance permits the named insured to waive rights of subrogation on a blanket basis, in which case the blanket waiver shall be acceptable.

17. DESTRUCTION. If during the term, more than 25% of the Premises or more than 10% of the Building are destroyed from any cause, or rendered inaccessible or unusable from any cause, Landlord may, in its sole discretion, terminate this Lease by delivery of notice to Tenant within 30 days of such event without compensation to Tenant. If in Landlord's estimation, the Premises cannot be restored within 120 days following such destruction, the Landlord shall notify Tenant and Tenant may terminate this Lease by delivery of notice to Landlord within 30 days of receipt of Landlord's notice. If neither Landlord nor Tenant terminates this Lease as provided above, then Landlord shall commence to restore the Premises in compliance with then existing laws and shall complete such restoration with due diligence. In such event, this Lease shall remain in full force and effect, but there shall be an abatement of Base Monthly Rent and Tenant's Share of Expenses between the date of destruction and the date of completion of restoration, based on the extent to which destruction interferes with Tenant's use of the Premises.

18. CONDEMNATION.

a. TAKING. If all of the Premises are taken by Eminent Domain, this Lease shall terminate as of the date Tenant is required to vacate the Premises and all Base and Additional Rent shall be paid to that date. The term "Eminent Domain" shall include the taking or damaging of property by, through or under any governmental or statutory authority, and any purchase or acquisition in lieu thereof, whether the damaging or taking is by government or any other person. If, in the reasonable judgment of Landlord, a taking of any part of the Premises by Eminent Domain renders the remainder thereof unusable for the business of Tenant (or the cost of restoration of the Premises is not commercially

reasonable), the Lease may, at the option of either party, be terminated by written notice given to the other party not more than thirty (30) days after Landlord gives Tenant written notice of the taking, and such termination shall be effective as of the date when Tenant is required to vacate the portion of the Premises so taken. If this Lease is so terminated, all Base and Additional Rent shall be paid to the date of termination. Whenever any portion of the Premises is taken by Eminent Domain and this Lease is not terminated, Landlord shall at its expense proceed with all reasonable dispatch to restore, to the extent of available proceeds issued from the taking governmental authority and to the extent it is reasonably prudent to do so, the remainder of the Premises to the condition they were in immediately prior to such taking, and Tenant shall at its expense proceed with all reasonable dispatch to restore its personal property and all improvements made by it to the Premises to the same condition they were in immediately prior to such taking. The Base and Additional Rent payable hereunder shall be reduced from the date Tenant is required to partially vacate the Premises in the same proportion that the Rentable Area taken bears to the total Rentable Area of the Premises prior to taking.

b. AWARD. Landlord reserves all right to the entire damage award or payment for any taking by Eminent Domain, and Tenant waives all claim whatsoever against Landlord for damages for termination of its leasehold interest in the Premises or for interference with its business. Tenant hereby grants and assigns to Landlord any right Tenant may now have or hereafter acquire to such damages and agrees to execute and deliver such further instruments of assignment as Landlord may from time to time request. Tenant shall, however, have the right to claim from the condemning authority and keep all compensation that may be recoverable by Tenant on account of any loss incurred by Tenant in moving Tenant's merchandise, furniture, trade fixtures and equipment, provided, however, that Tenant may claim and keep such damages only if they are awarded separately in the eminent domain proceeding and not out of or as part of Landlord's damages.

19. ASSIGNMENT OR SUBLEASE. Tenant shall not assign or encumber its interest in this Lease or the Premises or sublease all or any part of the Premises or allow any other person or entity (except Tenant's authorized representatives, employees, invitees, or guests) to occupy or use all or any part of the Premises without first obtaining Landlord's consent, which shall not be unreasonably withheld, delayed or conditioned. In determining whether to consent to a proposed assignment or subletting, Landlord may consider any commercially reasonable basis for approving or disapproving the proposed subletting or assignment, including without limitation any of the following: (i) whether the clientele, personnel or foot traffic which will be generated by the business of the proposed assignee or sublessee is consistent in Landlord's reasonable opinion with the businesses of other tenants of the Building or the Project, (ii) whether the proposed assignee has a net worth and financial strength and credit record reasonably satisfactory to Landlord, and (iii) whether the use of the Premises by the proposed assignee or sublessee will violate or create any potential violation of any laws or a breach or violation of any other lease or agreement by which Landlord is bound. No assignment or sublease shall release Tenant from the obligation to perform all obligations under this Lease unless otherwise agreed in writing by Landlord. Any assignment, encumbrance or sublease without Landlord's written consent shall be voidable and at Landlord's election, shall constitute a default. If Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law of any partner, or the dissolution of the partnership, shall be deemed a voluntary assignment. If Tenant consists of more than one person, a purported assignment, voluntary or involuntary or by operation of law from one person to the other shall be deemed a voluntary assignment. If Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of Tenant, or sale or other transfer of a controlling percentage of the capital stock of Tenant, or the sale of at least 25% of the value of the assets of Tenant shall be deemed a voluntary assignment. The phrase "controlling percentage" means ownership of and right to vote stock possessing at least 25% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for election of directors. The two proceeding sentences shall not apply to corporations the stock of which is traded through an exchange or over the counter. 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 and of any sums to be paid by an assignee to Tenant in which is attributable to the leasehold interest, prepayment of rent or "buying down" rent (less the costs and expenses incurred by Tenant in connection with any such sublease or assignment) shall be paid to Landlord. If at the time of the proposed assignment or subletting, the Project is more than 15% vacant, then Tenant shall not charge less on the proposed assignment or subletting than 95% of the rents being charged by Landlord for similar spaces in the Project. For purposes of this Section 19, the term "similar spaces in the Project" shall mean similar as to (i) location of the floors(s) within the Project, (ii) views, (iii) types of tenant improvements and (iv) use. If Tenant requests Landlord to consent to a proposed assignment or subletting, Tenant shall pay to Landlord, whether or not consent is ultimately given, $100 or Landlord's reasonable out of pocket attorney's fees incurred in connection with such request, whichever is greater.

Notwithstanding any other provision of this Section 19, Tenant may sublet all or part of the Premises to its parent corporation, if any; any subsidiary corporation of Tenant or its parent corporation; or any corporation or other entity owned or controlled by Tenant, its parent corporation of any subsidiary of Tenant (each an "Affiliate"). Furthermore, Tenant may assign this Lease to any Affiliates, or to any entity resulting from a merger or consolidation with Tenant, provided the assignee's financial condition (i.e., net worth and liquidity) is comparable to that of Tenant immediately preceding the date of the assignment.

No interest of Tenant in this Lease shall be assignable by involuntary assignment through operation of law (including without limitation the transfer of this Lease by testacy or intestacy). Each of the following acts shall be considered an involuntary assignment: (a) if Tenant is or becomes bankrupt or insolvent, makes an

assignment for the benefit of creditors, or institutes proceedings under the Bankruptcy Act in which Tenant is the bankrupt party; or if Tenant is a partnership or consists of more than one person or entity, if any partner of the partnership or other person or entity is or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors; or (b) if a writ of attachment or execution is levied on this Lease; or (c) if in any proceeding or action to which Tenant is a party, a receiver is appointed with authority to take possession of the Premises. An involuntary assignment shall constitute a default by Tenant and Landlord shall have the right to elect to terminate this Lease, in which case this Lease shall not be treated as an asset of Tenant.

20. TENANT DEFAULT.

a. EVENTS OF DEFAULT. The occurrence of any of the following shall constitute a default by Tenant: (i) a failure to pay Rent, Additional Rent or other charge when due, provided that Landlord shall not exercise any of its rights under this Section 20(a)(i) until Landlord has given Tenant notice of such default and a cure period of five (5) business days from receipt of such notice, and Tenant has failed to pay such Rent, Additional Rent or other charge within such cure period provided that, with respect to sums due other than Rent and Additional Rent; (ii) abandonment and vacation of the Premises (failure to occupy and operate the Premises for ten consecutive days while in monetary default under this Lease shall be conclusively deemed an abandonment and vacation); (iii) failure to perform any other material provision of this Lease, provided that Landlord shall not exercise any of its rights under this Section 20(a)(iii) until Landlord has given Tenant notice of such default and a cure period of thirty (30) days from receipt of such notice, and Tenant has failed to cure such default within such cure period, provided further that if more than thirty (30) days are required to complete such performance, the cure period shall not be deemed to have run so long as Tenant commences to cure such default within the thirty
(30) day period and thereafter diligently pursues its completion; or (iv) the making by Tenant of any general assignment or general arrangement for the benefit of creditors or the filing by or against Tenant of a petition in bankruptcy, including reorganization or arrangement, unless in the case of a petition filed against Tenant and the same is dismissed within thirty (30) days, or the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease. The notices required by this Section 20 are intended to satisfy any and all notice requirements imposed by law on Landlord and are not in addition to any such requirement.

b. LANDLORD'S REMEDIES. Landlord shall have the following remedies if Tenant is in default. (These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law): Landlord may terminate Tenant's right to possession of the Premises at any time. No act by Landlord other than giving notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession. Upon termination of Tenant's right to possession, Landlord has the right to recover from Tenant: (1) the worth of the unpaid Rent that had been earned at the time of termination of Tenant's right to possession; (2) the worth of the amount of the unpaid Rent that would have been earned after the date of termination of Tenant's right to possession; (3) any other amount, including but not limited to, expenses incurred to relet the Premises, court, attorney and collection costs, necessary to compensate Landlord for all detriment caused by Tenant's default. "The Worth," as used for Item (1) in this Paragraph 21 is to be computed by allowing interest at the rate of 15 percent per annum. If the interest rate specified in this Lease is higher than the rate permitted by law, the interest rate is hereby decreased to the maximum legal interest rate permitted by law. "The Worth" as used for Item (2) in this Paragraph 21 is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of termination of Tenant's right of possession.

21. LANDLORD DEFAULT. Landlord shall not be in default unless Landlord fails to perform its obligations within thirty (30) days after notice by Tenant, specifying wherein Landlord has failed to perform; provided, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, Landlord shall not be in default if Landlord commences performance within thirty (30) days of Tenant's notice and thereafter diligently completes performance within a reasonable time. Tenant's rights under this Lease shall be limited to actions for damages and/or specific performance, and no default by Landlord shall entitle Tenant to withhold or offset rent, terminate this Lease or to engage in self-help remedies, provided only as follows: If Landlord is in default under this Lease, and such default materially adversely affects Tenant's ability to do business from the Premises, and Landlord fails to cure such default within a commercially reasonable time for emergencies and otherwise within thirty (30) days after written notice from Tenant (provided that if such default cannot be cured with 30 days, then if Landlord fails to commence to cure with 30 days and diligently pursue such cure to completion), then Tenant shall, upon two (2) business days prior written notice to Landlord of Tenant's intent to cure the default, be entitled to cure the default and the reasonable cost of cure shall be reimbursed by Landlord to Tenant with thirty (30) days of invoice therefor. If Landlord fails to make such reimbursement, then any issues relating to such default and cure shall, at either party's election, be resolved by a single-arbitrator before the American Arbitration Association ("AAA") under the Arbitration Rules of the AAA modified as follows: (i) the total time from date of demand for arbitration to final award shall not exceed 25 days; (ii) the arbitrator shall be chosen by the AAA without submittal of lists and subject to challenge only for good cause shown;
(iii) all notices may be by telephone or other electronic communication with later confirmation in writing; (iv) the time, date, and place of the hearing shall be set by the arbitrator in his or her sole discretion, provided that

there be at least 3 days prior notice of the hearing; (v) there shall be no post-hearing briefs; (vi) there shall be no discovery except by order of the arbitrator; and (vii) the arbitrator shall issue his or her award within 7 days after the close of the hearing. The arbitration shall be held in the county in which the Premises is located. The decision of the arbitrator shall be final and binding on the parties and judgment on the award rendered by the arbitrator may be entered in any court of competent jurisdiction. The fees and expenses of the arbitrator shall be paid half by Landlord and half by Tenant unless the arbitrator decides otherwise in its discretion. The parties shall each hold harmless and indemnify the arbitrator from any claims arising in connection with the arbitration.

22. ENTRY ON PREMISES. Landlord and its authorized representatives shall have the right to enter the Premises at all reasonable times, with reasonable notice given to Tenant except in the case of an emergency, for any of the following purposes: (a) to determine whether the Premises are in good condition and whether Tenant is complying with its obligations under this Lease; (b) to do any necessary maintenance and to make any restoration to the Premises or the Project that Landlord has the right or obligation to perform; (c) to post "for sale" signs at any time during the term, to post "for rent" or "for lease" signs during the last 90 days of the term, or during any period while Tenant is in default; (d) to show the Premises to prospective brokers, agents, buyers, tenants or persons interested in leasing or purchasing the Premises, at any time during the term; or (e) to repair, maintain or improve the Project and to erect scaffolding and protective barricades around and about the Premises but not so as to prevent entry to the Premises and to do any other act or thing necessary for the safety or preservation of the Premises or the Project. Landlord shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising out of Landlord's entry onto the Premises as provided in this Section 22. Tenant shall not be entitled to an abatement or reduction of Rent if Landlord exercises any rights reserved in this Section 22. Landlord shall conduct his activities on the Premises as provided herein in a commercially reasonable manner so as to limit inconvenience, annoyance or disturbance to Tenant to the maximum extent practicable and to execute confidentiality agreements relating to entering areas Tenant keeps secure for intellectual property reasons. For each of these purposes, Landlord shall at all times have and retain a key with which to unlock all the doors in, upon and about the Premises, excluding Tenant's vaults and safes. Tenant shall not alter any lock or install a new or additional lock or bolt on any door of the Premises without prior written consent of Landlord. If Landlord gives its consent, Tenant shall furnish Landlord with a key for any such lock.

23. SUBORDINATION. Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, and at the election of Landlord or any mortgagee or any beneficiary of a Deed of Trust with a lien on the Project or any ground lessor with respect to the Project, this Lease shall be subject and subordinate at all times to (a) all ground leases or underlying leases which may now exist or hereafter be executed affecting the Project, and (b) the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Project, ground leases or underlying leases, or Landlord's interest or estate in any of said items is specified as security. This subordination shall be self operative, provided that so long as Tenant is not in default hereunder beyond the applicable Section 20 cure period, Tenant shall have continued enjoyment of the Premises free from any disturbance or interruption by reason of any foreclosure of Lender's deed of trust or mortgage. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or Deed of Trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination, attorn to and become the Tenant of the successor in interest to Landlord, at the option of such successor in interest. Tenant covenants and agrees to execute and deliver, upon demand by Landlord and in the form requested by Landlord any additional documents evidencing the priority or subordination of this Lease with respect to any such ground lease or underlying leases or the lien of any such mortgage or Deed of Trust, subject to the non-disturbance provisions contained herein. If Tenant fails to deliver such subordination document as required herein, then Tenant hereby irrevocably appoints Landlord as attorney-in-fact of Tenant to execute, deliver and record any such document in the name and on behalf of Tenant.

Tenant, within ten days from notice from Landlord, shall execute and deliver to Landlord, in recordable form, certificates stating that this Lease is not in default, is unmodified and in full force and effect, or in full force and effect as modified, and stating the modifications. This certificate should also state the amount of current monthly Rent, the dates to which Rent has been paid in advance, and the amount of any security deposit and prepaid Rent. Failure to deliver this certificate to Landlord within ten days shall be conclusive upon Tenant that this Lease is in full force and effect and has not been modified except as may be represented by Landlord.

24. NOTICE. Any notice, demand or request required hereunder shall be given in writing to the party's facsimile number or address set forth in Section 1 hereof by any of the following means: (a) personal service;
(b) electronic communication, whether by telex, telegram or facsimile;
(c) overnight courier; or (d) registered or certified, first class mail, return receipt requested. Such addresses may be changed by notice to the other parties given in the same manner as above provided. Any notice, demand or request sent pursuant to either subsection (a) or (b) hereof shall be deemed received upon such personal service or upon dispatch by electronic means with electronic confirmation of receipt. Any notice, demand or request sent pursuant to subsection (c) hereof shall be deemed received on the business day immediately following deposit with the overnight courier and, if sent pursuant to subsection
(d), shall be deemed received forty-eight (48) hours following deposit in the U.S. mail.

25. WAIVER. No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver. No act or conduct of Landlord, including without limitation, acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before

the expiration of the term. Only written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish termination of the Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the Lease. TENANT SPECIFICALLY ACKNOWLEDGES AND AGREES THAT, WHERE TENANT HAS RECEIVED A NOTICE TO CURE DEFAULT (WHETHER RENT OR NON-RENT), NO ACCEPTANCE BY LANDLORD OF RENT SHALL BE DEEMED A WAIVER OF SUCH NOTICE, AND, INCLUDING BUT WITHOUT LIMITATION, NO ACCEPTANCE BY LANDLORD OF PARTIAL RENT SHALL BE DEEMED TO WAIVE OR CURE ANY RENT DEFAULT. LANDLORD MAY, IN ITS DISCRETION, AFTER RECEIPT OF PARTIAL PAYMENT OF RENT, REFUND SAME AND CONTINUE ANY PENDING ACTION TO COLLECT THE FULL AMOUNT DUE, OR MAY MODIFY ITS DEMAND TO THE UNPAID PORTION. IN EITHER EVENT THE DEFAULT SHALL BE DEEMED UNCURED UNTIL THE FULL AMOUNT IS PAID IN GOOD FUNDS.

26. SURRENDER OF PREMISES; HOLDING OVER. Upon expiration of the term, Tenant shall surrender to Landlord the Premises and all Tenant improvements and alterations in good condition, except for ordinary wear and tear and alterations Tenant has the right or is obligated to remove under the provisions of Section 14 herein. Tenant shall remove all personal property including, without limitation, all data and phone wires and other improvements which Landlord has required Tenant to remove pursuant to Section 14 or Exhibit F of this Lease. Landlord can elect to retain or dispose of in any manner Tenant's personal property not removed from the Premises by Tenant prior to the expiration of the term. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of Tenant's personal property. Tenant shall be liable to Landlord for Landlord's cost for storage, removal or disposal of Tenant's personal property.

If Tenant, with Landlord's consent, remains in possession of the Premises after expiration or termination of the term, or after the date in any notice given by Landlord to Tenant terminating this Lease, such possession by Tenant shall be deemed to be a month-to-month tenancy terminable as provided under Washington law, by either party. All provisions of this Lease, except those pertaining to term and Rent, shall apply to the month-to-month tenancy. During any holdover term, Tenant shall pay Base Monthly Rent in an amount equal to 150% of Base Monthly Rent for the last full calendar month during the regular term plus 100% of Tenant's share of Expenses pursuant to Section 4(c)(3).

27. LIMITATION OF LANDLORD'S LIABILITY. In consideration of the benefits accruing hereunder, Tenant agrees that, in the event of any actual or alleged failure, breach or default of this Lease by Landlord, Landlord's liability under this Lease shall be limited to, and Tenant shall look only to Landlord's interest in the Project and the rents and proceeds thereof.

28. MISCELLANEOUS PROVISIONS.

a. TIME OF ESSENCE. Time is of the essence of each provision of this Lease.

b. AUTHORITY. If Tenant is a corporation, Tenant will deliver to Landlord, contemporaneously with this Lease, an authorizing resolution by Tenant's Board of Directors, authorizing the person(s) executing this Lease to do so, or other evidence of such person(s) authority as is reasonably satisfactory to Landlord.

c. SUCCESSORS. This Lease shall be binding on and inure to the benefit of the parties and their successors, except as provided in Section 19 herein.

d. LANDLORD'S CONSENT. Except as otherwise specifically provided herein, any consent required by Landlord under this Lease must be granted in writing and may be withheld by Landlord in its sole and absolute discretion unless otherwise provided herein.

e. COMMISSIONS. Each party represents that it has not had dealings with any real estate broker, finder or other person with respect to this Lease in any manner, except for the broker identified in
Section 1(p), who shall be compensated by the party identified in
Section 1(p). Landlord and Tenant recognize that it is possible that they may hereafter make additional agreements regarding further extension or renewal of this Lease or a new lease or leases for all or one or more parts of the Premises or other space in the Project for a term or terms commencing after the Commencement Date of this Lease. Landlord and Tenant recognize that it is also possible that they may hereafter modify this Lease to add additional space or to substitute space as part of the Premises. If any such additional agreements, new leases or modifications to this Lease are made (except for the exercise of Tenant's Option to Lease the Building Three Option Space), unless otherwise agreed in writing by Landlord, Landlord shall not have any obligation to pay any compensation to any real estate broker or to any other third person engaged by Tenant to render services to Tenant in connection with negotiating such matters, regardless of whether under the circumstances such person is or is not regarded by the law as an agent of Landlord.

f. OTHER CHARGES. If either party commences any litigation against the other party or files an appeal of a decision arising out of or in connection with the Lease, the prevailing party shall be entitled to recover from the other party reasonable attorney's fees and costs of suit. If Landlord employs a

collection agency to recover delinquent charges, Tenant agrees to pay all collection agency and attorneys' fees charged to Landlord in addition to Rent, late charges, interest and other sums payable under this Lease. Tenant shall pay a charge of $75 to Landlord for preparation of a demand for delinquent Rent.

g. FORCE MAJEURE. Neither party shall be deemed in default hereof nor liable for damages arising from its failure to perform its duties or obligations hereunder if such is due to causes beyond its reasonable control, including, but not limited to, acts of God, acts of civil or military authorities, fires, floods, windstorms, earthquakes, strikes or labor disturbances, civil commotion, delays in transportation, governmental delays or war, provided nothing in this subparagraph shall limit or otherwise modify or waive Tenant's obligation to pay Base Rent and Additional Rent as and when due pursuant to the terms of this Lease, or Landlord's obligation to timely make any payments which Landlord is required to make to Tenant pursuant to this Lease.

h. RULES AND REGULATIONS. Tenant shall faithfully observe and comply with such commercially reasonable, non-discriminatory "Rules and Regulations" as Landlord may from time to time adopt by written notice. Landlord shall not be responsible to Tenant for the violation or non-performance by any other tenant or occupant of the building or Project of said tenant or occupant's lease or of any of said Rules and Regulations.

i. LANDLORD'S SUCCESSORS. In the event of a sale or conveyance by Landlord of the Project, the same shall operate to release Landlord from any liability under this Lease from and after the date of the sale or conveyance, and in such event Landlord's successor in interest shall be solely responsible for all obligations of Landlord under this Lease.

j. INTERPRETATION. This Lease shall be construed and interpreted in accordance with the laws of the state in which the Premises are located. This Lease constitutes the entire agreement between the parties with respect to the Premises and the Project, except for such guarantees or modifications as may be executed in writing by the parties from time to time. When required by the context of this Lease, the singular shall include the plural, and the masculine shall include the feminine and/or neuter. "Party" shall mean Landlord or Tenant. If more than one person or entity constitutes Landlord or Tenant, the obligations imposed upon that party shall be joint and several. The enforceability, invalidity or illegality of any provision shall not render the other provisions unenforceable, invalid or illegal.

k. CLEAN AIR ACT. Tenant acknowledges that Landlord has not made any portion of the Premises or the Building accessible for smoking in compliance with WAC 296-62-12000. If Tenant wishes to make any portion of the Premises accessible for smoking, Tenant shall make all improvements necessary to comply with all applicable governmental rules and regulations. Tenant acknowledges that the indemnity contained in Section 15 of the Lease includes, but is not limited to claims based on the presence of tobacco smoke as a result of the activities of Tenant, its employees, agents, or guests.

29. OPTION TO EXTEND. So long as Tenant is not in material default under the terms of the Lease, Tenant shall have the right to extend the term of the Lease for two (2) additional terms of five (5) years each (the "Extension Terms"). Tenant agrees to notify Landlord in writing of Tenant's intent to renew at twelve (12) months prior to the termination of the then current lease term. The rental rate during the Extension Terms shall be equal to the then Fair Market Rental Rate (adjusted for lease concessions) for comparable space located in Lower Queen Anne, Seattle, Washington.

Within thirty (30) days following Tenant's notice to Landlord of Tenant's desire to extend the Lease, Landlord shall notify Tenant of the proposed Extended Term Base Rent, which shall be equal to the then Fair Market Rental Rate of the Premises. Fair Market Rental Rate shall be defined as the annual Base Rent (projected from the date of the commencement of the payment of annual rental to which it applies) which Tenant would expect to pay and Landlord would expect to receive under leases of space of comparable size and quality to the Premises and as provided for in and on terms and conditions comparable to, this Lease covering premises similar to the Premises. Tenant shall have thirty (30) days following receipt of Landlord's notice of the proposed Extended Term Base Rent, in which to accept such determination; or to agree with Landlord on a stipulated Fair Market Rental Rate.

If Tenant notifies Landlord, within the aforesaid thirty (30) day period, that Tenant disputes the Prevailing Market Rate quoted by Landlord, the parties shall, during the following thirty (30) days, negotiate in good faith to determine the Annual Base Rent for the renewal Term. If within said thirty-day period the parties are unable to agree on the Annual Base Rent, then within ten (10) days thereafter, each party shall select a qualified appraiser experienced in appraising commercial rental properties in the vicinity of the Building, who shall submit appraisals for the Premises within thirty (30) days of their appointment. If the difference between the appraisals is five percent (5%) or less, the Prevailing Market Rate shall be determined to be the average of the two appraisals. If the difference is greater than five percent (5%), then the two appraisers shall select a third qualified appraiser who shall submit an appraisal within the thirty (30) days following the submission of the first appraisals. The Prevailing Market Rate shall then be the average of the two (2) closest appraisals. The fees of each appraiser shall be paid by the party appointing the appraiser and the fees of the third appraiser, if any, shall be shared equally by the parties.

The option shall be void if, at the time of exercise of such option, Tenant is not in possession of the Premises or is in default under this Lease or if Tenant fails to deliver the requisite notice thereof within the time period specified above. The option granted herein shall not be severed from this Lease, separately sold, assigned, or transferred.

30. RENT ABATEMENT. Notwithstanding anything to the contrary contained herein, Tenant shall not be liable for the payment of Annual Base Rent or Tenant's Share of Operating Costs for that 22,699 square feet of Rental Area of the Premises identified as Floor Two of Building Two (Rental Abatement Space), or other full floor in Building Two that Tenant may select instead of Floor Two), for the period commencing with the Lease Commencement Date and ending on the earlier of (a) the commencement of month thirteen (13) of the initial lease term or (b) the date that beneficial occupancy of Floor Two of Building Two) commences. Should Tenant occupy less than the full floor prior to the commencement of month thirteen (13), then the Annual Base Rent and Tenant's Share of Operating Costs shall be charged for that portion of the floor being occupied. Tenant covenants and agrees to notify Landlord immediately at such time as Tenant commences occupancy of the Rental Abatement Space. Upon commencement of the thirteenth (13th) month of the lease term the full rent as provided for in Section 1 shall be due and payable no matter how much of the Rental Abatement Space is occupied.

Tenant shall provide Landlord six (6) months prior written notice on the occupancy date desired in order to allow for the completion of tenant improvements of the Rental Abatement Space.

31. TENANT IMPROVEMENT ALLOWANCE. Landlord shall provide Tenant with an allowance (the "Tenant Improvement Allowance") of up to Thirty Dollars ($30.00) per Rentable Square Foot of the Premises initially leased. The Tenant Improvement Allowance may be used only for actual out-of-pocket costs of labor and materials (including Washington State Sales Tax), and for all professional design services necessary for the design and permitting of the Tenant Work, provided by qualified third party contractors approved by Landlord for construction of the Tenant Work, which approval will not be unreasonably withheld, delayed or conditioned. The Tenant Work and method of payment is set forth in Exhibit F hereto.

32. ARCHITECTURAL AND ENGINEERING SERVICES. Landlord shall provide Tenant with an allowance for schematic space plans performed by an approved space planner up to a maximum amount of $.12 per rentable square foot of the Premises. This design allowance shall be paid by Landlord within twenty (20) days after invoice by Tenant with reasonable documentation showing costs actually incurred.

33. OPTION SPACE. Tenant shall have the option to lease one full floor, up to a maximum of two contiguous full floors, of Building Three ("Building Three Option Space") by providing written notice to Landlord at least thirteen (13) months in advance of the desired delivery date of said Building Three Option Space along with the amount of space to be leased. The Building Three Option Space shall be Floor One and Floor Two of Building Three. The last date on which written notice can be given by Tenant to lease this Building Three Option Space is July 1, 2001. If Tenant gives written notice on the last available date, the Building Three Option Space would not be delivered for occupancy until August 1, 2002. Landlord shall determine the configuration (the full floor to be taken if less than two full floors are required and the location on the floor of any space that is more than one full floor but less than two full floors) of the Building Three Option Space with input from Tenant, once written notice is given by Tenant.

Landlord reserves the right to either:

a. Proceed with construction of Building Three as early as August 1, 1999 for delivery on or about October 1, 2000; or

b. Delay the commencement of construction of Building Three until Landlord is in receipt of Tenant's written notice to lease space in Building Three.

Landlord reserves the right to enter into leases with third party tenants on Floor Three and Floor Four of Building Three at any time, subject to Tenant's Right of First Refusal per Section 35 below.

Should Landlord elect to commence construction of Building Three prior to Tenant providing written notice of its intent to lease the Building Three Option Space, Landlord shall hold the Building Three Option Space off the market for Tenant until July 1, 2001, which is the last date on which Tenant can exercise its option to lease the Building Three Option Space.

Tenant's option to lease all of the Building Three Option Space is subject to Tenant meeting certain criterion as described in Exhibit G, Option Space Performance Criterion. As further described in Exhibit G, Tenant's option to lease the Building Three Option Space shall be reduced to one (1) floor (either the first or second floor of Building Three at Landlord's sole discretion) if the criterion is not met.

The Rental Rate for the Option Space shall be the current rental rate that Tenant is then paying Landlord under the initial lease term and the Landlord Provided Tenant Improvement Allowance for Building Three shall be the same as provided for Building Two) under the initial lease term. The lease expiration date for the Option Space shall be coterminous with the initial lease term for Building Two.

34. RIGHT OF FIRST REFUSAL. So long as Tenant is not in material default under the terms of the lease, Tenant shall have the Right of First Refusal (ROFR) to:

a. Lease the third and fourth floors of Building Three should Landlord exercise its rights to enter into leases with third party tenants prior to the time tenant exercises its option to lease its Building Three Option Space; and

b. Lease any and all contiguous space when it becomes available (ROFR Space) throughout the initial term of this Lease and any subsequent Extension Term.

If Landlord receives a bona fide written offer from a third party to lease all or part of such ROFR Space, Landlord shall first notify Tenant in writing that such ROFR Space is available to Tenant for lease. Such Landlord notice shall include the material terms and conditions contained in said third party offer (Term, Rent, Tenant Improvement Allowance, etc). Tenant shall have ten (10) business days, from receipt of Landlord's notice, to respond in writing with its intent to lease or not to lease the ROFR Space under substantially the same terms and conditions as contained in Landlord's notice.

If Tenant notifies Landlord of its intent to lease the ROFR Space, then Landlord and Tenant shall enter into a written agreement modifying and supplementing this Lease and specifying that such ROFR Space is a part of the Premises under this Lease and containing other appropriate terms and provisions relating to the addition of the ROFR Space to this Lease.

In the event Tenant does not exercise in writing its intent to lease said ROFR Space within ten (10) business days of Landlord's notice to Tenant, then Landlord shall thereafter be free to rent such ROFR Space to any third party, under substantially the same terms and conditions as contained in Landlord's notice, free of Tenant's right to lease the ROFR Space. Tenant shall be free during any ongoing period in which the ROFR Space remains unleased to request that Landlord re-open discussions with Tenant, which Landlord shall do, subject to any ongoing discussions that Landlord may then or thereafter engage in with other prospective tenants and Landlord's right to lease the ROFR Space under substantially the same terms and conditions as contained in Landlord's notice.

35. RIGHT TO TERMINATE. So long as Tenant is not in material default under the terms of this Lease, Tenant shall have a one time Right to Terminate the Lease effective at the end of the eighty-fourth (84th) month of the initial lease term subject to the conditions contained in this Section. In order to exercise this Right to Terminate, Tenant shall provide Landlord with written notice (`the Notice") by the end of the 72nd month of the Initial Lease Term (at least twelve (12) months' notice). If Tenant exercises this Right to Terminate, it shall be obligated to pay all amounts due under the Lease until the earlier of the end of the eighty-fourth (84th) month of the Initial Lease Term or the effective date of any third party lease for the Premises, at which point Tenant's obligations under the Lease will cease except to the extent that there is any (i) difference between the monthly base rent paid by the third party tenant, and the Base Monthly Rent due under the Lease; and (ii) any rent or other sums owed by Tenant to Landlord from the period prior to the effective date of the Termination. In no event shall Tenant have any obligations under the Lease after the end of the eighty-fourth month, provided Tenant has complied with the terms of this Section and has no outstanding defaults under the terms of this Lease. Tenant shall, within thirty (30) days of Landlord's receipt of Tenant's notice to exercise this Right to Terminate, pay Landlord's unamortized costs (based upon a twelve (12) year amortization period and an interest rate of eight percent (8%) per annum) including, but not limited to, the Tenant Improvement Allowance, Schematic Space Plan Allowance and real estate commissions in connection with the initial lease of the Premises to the Tenant. This Right to Terminate only applies to the Premises in Building Two.

Tenant may exercise its Right to Terminate under any of the following conditions:

a. CONTRACTION OF THE PREMISES. If Tenant wishes to occupy a smaller premises, Tenant shall submit a written request to Landlord, within thirty (30) days of the Notice, to have the size of the Premises reduced to the size specified by Tenant. Landlord will notify Tenant of its decision whether to grant Tenant's request within sixty (60) days of receipt of such request. If Landlord elects to reduce the size of the Premises, Tenant will be required to pay Landlord's unamortized costs, as described above, within thirty (30) days of Landlord's notice that it will allow the size of the Premises to be reduced, provided that the amount of such unamortized costs shall be prorated based on the size of the reduced Premises. If Landlord declines Tenant's request to reduce the Premises, then Tenant may exercise its Right to Terminate as described above.

b. CESSATION OF BUSINESS. Tenant or any successor entity ceases having its main administrative offices in the Seattle-Bellevue Metropolitan area.

Tenant and Landlord agree that this Right to Terminate is not to be used to facilitate the move of Tenant from 401 Elliott West to another building in the Seattle-Bellevue Metropolitan area prior to the end of the initial Lease term except as stated in this Section.

36. EARLY POSSESSION. Tenant shall have the non-exclusive right to possess the initial leased premises thirty (30) days prior to Lease Commencement for the purpose of the installation of Tenant's furniture, fixtures and equipment. Tenant shall not be charged base monthly rent or operating expense charges during said Early Possession period. Tenant shall coordinate its move-in activities with the contractor's working on the site so as not to impede the final completion of the Shell & Core Improvements, including punch list type activities. Tenant shall be responsible for the removal and disposal of Tenant's furniture and fixture vendor's cartons and trash.

37. TENANT SIGNAGE. Tenant shall have the right, at Tenant's expense, to install dominant building signage on the Building as long as it leases in excess of fifty percent (50%) of the rentable area of the Building. Tenant's signage shall be subject to all governmental codes and Landlord's prior written approval, which approval will not be unreasonably withheld, delayed or conditioned for signage consistent with the Landlord's architectural principles for the Project. Landlord shall have the right to withhold its approval of any sign(s) which in its reasonable judgment are not harmonious with the design standard of the Building. A signage exhibit, providing more detail to size and location, is further detailed in Exhibit D. Tenant shall have the following signage opportunities:

a. Install one monument sign adjacent to the entry, or in the landscaped area adjacent to the Building.

b. Install two exclusive, back lighted, pin-mounted signs on the top parapet of the Building; one sign per wall, on the South, West or East elevations (i.e. 2 of those three walls).

38. FIBER OPTICS. Tenant shall have the right to install satellite dishes, fiber optics and related equipment for Tenants sole use at Tenant's sole cost, expense and liability, subject to Landlord's approval of the location and method of installation, which shall not be unreasonably withheld or delayed for installations that do not interfere with other electronic installations on the Building. Tenant's rights pursuant to this Section shall include the right to make reasonable replacements, upgrades and additions subject to the terms of this Section.

39. USE OF THE ROOF FOR BUSINESS PURPOSES. Tenant shall have the right to enter on the roof of the Building from time to time, in accordance with the provisions of this Section and with the prior approval of Landlord, for the purpose of installing and maintaining, at Tenant's sole cost and expense, equipment in connection with Tenant's use of the Premises (the "Tenant's Equipment") at locations, designated by Landlord. Tenant shall submit drawings, specifications, and installation data for Tenant's Equipment to Landlord for its approval prior to installation.

Installation of Tenant's Equipment shall be accomplished under the direct supervision of Landlord and in accordance with reasonable rules and regulations prescribed by Landlord. Tenant's Equipment shall be grounded in accordance with Underwriters Laboratories, Inc. requirements.

Tenant shall make no penetration of the Building's roof during installation or removal of Tenant's Equipment without the prior written consent of Landlord. Tenant shall be responsible for the cost of repairing all damages to Landlord's property caused by the installation, operation, repair, or removal of Tenant's Equipment, except to the extent caused by Landlord, its contractors, or employees. Furthermore, in the event Landlord determines that the Building roof must be repaired or resealed as a direct or indirect result of the installation, maintenance, repair, or removal of Tenant's Equipment, except to the extent caused by Landlord, its contractors, or employees, all such repairing and/or resealing shall be performed by Landlord's designated contractor at Tenant's sole cost and expense.

Upon termination of this Lease, Tenant, at its sole cost, shall remove Tenant's Equipment from the roof of the Building, subject to the provisions of this Section. Removal of Tenant's Equipment shall be done in a manner satisfactory to Landlord.

If access to the Building roof is required by Tenant at times other than normal business hours, Landlord reserves the right to charge Tenant any actual costs incurred by Landlord for overtime wages to Landlord's employees or contractors.

Tenant shall obtain and maintain all necessary FCC licenses, if any, and all other governmental approvals, licenses, and permits required to operate Tenant's Equipment, which operation shall not interfere with the quiet enjoyment of the tenants within the Building.

Tenant agrees that Landlord hereafter shall have the right to install and to grant others the right to install transmitting equipment, satellite dishes, antennae, and similar equipment on the roof of the Building, so long as neither the installation nor operation of such equipment interferes with the operation of Tenant's Equipment.

Tenant agrees that transmissions from Tenant's Equipment shall not cause interference with transmissions of other persons currently operating communications equipment in the Business Community. Upon written notification from Landlord of such interference, Tenant shall immediately stop operation of Tenant's Equipment and not resume operation until such interference is cured. Any future agreement granting another tenant of the Building or any other person the right to make rooftop installations shall contain a covenant by such other tenant or person that its installation and operation of rooftop equipment will not

interfere with the operation of Tenant's Equipment, and that if such interference occurs, such other tenant or other user shall cease installation or operation of its equipment until such interference is cured.

40. FOOD SERVICE SPACE. Landlord has committed to Tenant to lease up to 2,000 square feet of space in the Southeast corner of the first floor of Building Two to a third party food service tenant. Landlord has not commenced negotiations with any food service vendors and, therefore, the exact amount of space to be leased for this use is not finalized. Tenant and Landlord shall work together to finalize this layout and Tenant agrees to lease the space up to the finalized demising line of the food service space. Tenant may, at any time up to the execution of Landlord's lease for food service space, exercise its ROFR to lease said space.

41. TENANT PARKING. Notwithstanding the provisions of Section 11.a., four (4) parking spaces located under the footprint of Building Two and reasonably close to the Building Two elevator may be reserved by Tenant to be designated as F5 Network spaces.

42. EMERGENCY POWER GENERATOR. The Premises shall include an electrical generator pad located by Landlord within the underground parking garage (the "Generator Pad"). The Generator Pad shall be constructed by Tenant in accordance with plans approved in advance by Landlord, which approval will not be unreasonably withheld, delayed or conditioned, and which plans shall include fencing and such curbing as is necessary to contain any fuel spill. Tenant may install on the Generator Pad a backup generator and fuel tank (collectively the "Generator"), the make, model and design of which shall be subject to Landlord's prior approval, which approval will not be unreasonably withheld, delayed or conditioned. The design and operation of the Generator and Generator Pad shall be such as to avoid material interference with other tenants (whether due to vibration, noise, fumes, or otherwise) resulting from operation of the Generator. The Generator shall be used only for periodic testing and in the event Tenant's primary electrical service is interrupted for any reason. All testing shall take place at times reasonably selected to minimize interference with other tenants. The Generator shall be used only for backup power, and may not be used as a primary power source, nor may it be used by any occupant of any other premises. The Generator Pad and the Generator shall be subject to all terms and conditions of this Lease, including but not limited to Sections 8, 15, and 16, provided only that the square footage of the Generator Pad shall not be utilized in calculating the Premises Rentable Area for the purpose of calculating Base Rent or allocating Expenses between the Premises and any larger parcel. Upon expiration or earlier termination of this Lease, Tenant shall remove all improvements and equipment from the Generator Pad and shall restore same to a clean, paved condition, and shall provide such studies or other information as is necessary to demonstrate to Landlord's reasonable satisfaction that there has been no environmental contamination on the Generator Pad as a result of the storage and operation of the generator and fuel tank thereon.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

Landlord: 401 ELLIOTT WEST L.L.C.

BY: CHERLIN L.L.C.,
ITS: Manager and Member

By:
Richard L. Carson Its: Managing Member

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

ITS: Member

By
Stephen K. Koehler, President, Koehler McFadyen & Company Its: Managing Member

Tenant: *F5 NETWORKS, INC.*

By: /s/ Jeffrey S. Hussey

Its:

By:

Its:

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 the 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 the instrument.

Dated:

(Signature)

(Print Name)

Notary Public, in and for the State
of Washington, residing at

My Commission Expires

STATE OF WASHINGTON)
)ss.
COUNTY OF ---------)

I certify that I know or have satisfactory evidence that _____ and _____ 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 the instrument and acknowledged it as the _____ and _____ of _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated:

(Signature)

(Print Name)

Notary Public, in and for the State
of Washington, residing at **My Commission Expires**

EXHIBIT A
THE PREMISES

[FLOORPLAN]

[FLOORPLAN]

EXHIBIT B
(continued)

LEGAL DESCRIPTION OF THE PROJECT

PARCEL A:
Lots 1 and 2, Block 156, Supplemental Plat of Seattle Tidelands, in King County, Washington, as shown on the official maps on file in the Office of the Commissioner of Public Lands at Olympia, Washington; except that portion thereof lying within the railroad right of way.

PARCEL B:
Lots 3, 4, 5 and 6, Block 156, and Lots 1 and 2, Block 157, Supplemental Plat of Seattle Tidelands, in King County, Washington, as shown on the official maps on file in the Office of the Commissioner of Public Lands at Olympia, Washington; except that portion thereof lying within the railroad right of way.

TOGETHER WITH all that portion of Portland Street lying between Block 156 and Block 157, vacated by Ordinance Number 57725 of the City of Seattle; except that portion of said vacated street as conveyed to Northern Pacific Railroad Company for a right of way by deed recorded under Recording Number 3777400, lying Southwesterly of the following described line: Beginning at a point in the Southeasterly line of Lot 2, Block 158, Map of Seattle Tidelands, filed with the Board of State Land Commissioners at Olympia on March 15, 1895, a distance of 1.75 feet Northeasterly from the Southmost corner of said Lot 2; thence Northwesterly to a point in the Southeasterly line of Block 156, Map of Seattle Tidelands, filed with the Board of State Land Commissioners at Olympia on March 15, 1895, a distance of 2.57 feet Northeasterly from the Southmost corner of said Block 156.

PARCEL C:
Lots 3, 4, 5, 6 and 7, Block 158, Supplemental Plat of Seattle Tidelands, in King County, Washington, as shown on the official maps on file in the Office of the Commissioner of Public Lands at Olympia, Washington; except that portion thereof lying within railroad right of way.

Together with that portion of West Harrison Street vacated by Ordinance Number 119174, of the City of Seattle and recorded under Recording Number 9811210440.

PARCEL D:

The vacated portion of West Republican Street lying between Lot 7 in Block 155, SEATTLE TIDE LANDS, and Lot 1, Block 156, SEATTLE TIDE LANDS, and between Elliott Avenue West and Railroad Avenue West, except the Northern Pacific Railroad Company's right-of-way.

EXHIBIT C
BUILDING 2 & 3 OFFICE

TENANT BUILDING SHELL AND CORE OUTLINE SPECIFICATIONS

The Building Outline Specifications which follow are intended to establish the scope and quality of finishes, materials and systems to be furnished by Landlord for the construction of the basic Building Shell and Core, as well as the parking structure and landscaped surface parking areas (together referred therein as the "Shell and Core"). The Building Outline Specifications are intended to govern the development of the building drawings through the completion of the final building working drawings and specifications ("The Contract Documents"). Capitalized terms used and not defined shall have the meanings given them in the Lease.

Landlord is committed to developing a long-term investment quality product, which has lasting quality and landmark stature and will be considered in all respects a first class office building development. This Outline Specification may be amended, through mutual consent of the parties, during the completion of the design development and construction document phases of the design of the buildings. The cost of all maintenance following initial installation shall be as provided under the Lease.

FOUNDATION SYSTEM

1. The augercast pile foundation system shall be designed based upon good engineering practice, soils bearing analysis from a geotechnical engineer and structural load calculations. Typical floor live loads for all office floors shall be 80 pounds per square foot, plus an allowance of 20 pounds per square foot for partitions. See Superstructure System for exceptions.

2. The foundation system will be constructed with moisture protection and foundation drains designed to provide a dry condition in all occupied areas including the storage and equipment spaces.

3. The garage floor will contain floor drains with sand/oil interceptors as required by code.

SITE WORK AND LANDSCAPING

1. All landscaping and site work shall comply with city ordinances, as well as the Site Plan and Landscaping Plan approved by the City of Seattle Department of Construction and Land Use.

2. Pedestrian plazas will provide a campus setting for the buildings. The plazas will include features developed by the design team and approved by the City.

3. Parking will be contained in a structured parking facility under the entire length of the site and in surface landscaped parking areas.

4. Site lighting shall be consistent with other parts of the Project. Buildings will have site fixtures to provide supplemental pedestrian area lighting.

5. Each building will be provided with a service loading area and a trash disposal area. All trash areas shall have capacity for disposal of recycling materials.

SUPERSTRUCTURE SYSTEM

1. The garage framing will be composed of cast-in-place concrete columns supporting long span concrete girders at 18 to 20 foot space which in turn support one way post-tensioned slabs. The office framing will be constructed of reinforced concrete utilizing an approximate 9.5 inch post-tensioned flat slab. The office floors shall be designed for 80 pounds per square foot live load plus 20 pounds per square foot for partition load, and 36 pounds per square foot for mechanical and equipment loads at interior bays and 16 pounds per square foot at perimeter bays.

2. Floor-to-floor heights to be a minimum of 14' - 6", maximum 15' - 0".

3. Stairs in stair towers will be equal or superior to concrete filled steel pan stairs.

ROOF SYSTEM

1. Roofs shall be warranted by the specified manufacturer for a minimum of ten (10) years and a maximum of fifteen (15) years.

EXTERIOR WALL SYSTEM

1. The primary Building spandrel and column cap material shall be a combination of precast concrete and panelized structural brick veneer. Exterior vision glass will be a one inch (1") insulated glass system (typical size 5' 0" wide by 6' 0" high). An additional 2' - 0" of vision glass

height is available on Floors 1 and 4. The vision glass shall be low reflective, tinted and will have a low e-coating, or equal, to enhance

its insulating qualities. Vision glass will be supported in aluminum frames with a Kynar- type coated finish. The overall U-value for the entire facade shall be designed to satisfy the Washington State Energy Code.

2. Storefronts and Building "monumental" entries will be of a lasting quality glazing system with framed glass doors with stainless steel or chrome trim, frame and hardware. Push/pull entry hardware will be stainless steel or chrome. Hinges and hardware will be compatible with the Americans with Disabilities Act criteria.

INTERIOR FINISHES

1. GARAGE ELEVATOR LOBBIES

a. Floor: Level loop carpeting.

b. Walls: Split-faced block or other serviceable material.

c. Elevator Fronts: Metal, factory finished baked enamel.

d. Ceiling: Suspended acoustical ceiling.

e. Lighting: Building standard 2 x 4 Fluorescent fixtures.

2. FIRST FLOOR ENTRY AND ELEVATOR LOBBIES

a. Floor: Custom inset carpet with honed or flamed stone, quartzite, or other 12" x 12" hard surface border material.

b. Walls: 50% wood veneer with reveals and 50% painted GWB. 4" wood base throughout.

c. Elevator Fronts: Stainless steel.

d. Ceiling: Painted GWB.

e. Lighting: Recessed compact fluorescent down lights and wall washers.

f. Entry Doors: Framed glass doors set in storefront glazing with stainless steel or chrome trim, all as specified above.

g. Stair Doors: Painted metal doors with painted hollow metal frames.

3. TENANT FLOOR ELEVATOR LOBBIES

a. Floors: Concrete sealed and ready for Tenant finish.

b. Walls: GWB with reveals (primed and sanded, ready for Tenant paint).

c. Ceiling: GWB Facia and Soffit with acoustical ceiling insert and recessed compact fluorescent down lights (primed and sanded, ready for Tenant paint).

d. Elevator Fronts/ Entries: Metal, factory finished baked enamel.

4. RESTROOMS

a. Floors: Ceramic tile field with one color accent tile.

b. Base: Ceramic tile cove base field with one color accent tile.

c. Walls: Ceramic tile full height on all wet walls with field and two (2) colors accent tile. Vinyl wall covering as specified by Owner elsewhere. Full height and width mirrors over vanity tops with light cove.

d. Ceiling: Suspended acoustical ceiling tile.

e. Lighting: Valance fluorescent lighting over stalls and vanity, building standard lights in center of room.

f. Vanity Tops: Granite, with 4" granite backsplash.

g. Toilet Partitions: Ceiling hung, with baked enamel finish.

h. Plumbing Fixtures: Wall hung vitreous china water closets (water saver type) equal to Kohler, American Standard or Eljer. Topset mounted vitreous china lavatories equal to Kohler, American Standard or Eljer.

i. Toilet Accessories: Fully recessed accessories in satin finish stainless steel equal to Bobrick. Lav top mounted soap dispensers with 4" spout and liquid soap containers below counter.

5. GARAGE

a. Floor: Concrete slab, finished with paint striping applied where applicable.

b. Walls: Perimeter walls with gunnite finish. Core walls with painted concrete masonry units, cast-in-place concrete and GWB.

c. Ceiling: Cast-in-place post tensioned concrete.

d. Lighting: 24 hour lighting using energy efficient fixtures with antenna guards. Lighting levels shall be 1.5 fc or greater.

e. Graphics: Complete garage graphics including overhead signage, wall graphics and directional arrows.

6. GENERAL

Gypsum Wall Board ("GWB"): Typical interior partitions 5/8" GWB on metal studs. GWB ceilings on metal suspension system. Type X as required. Moisture resistant at wet and ceramic tile areas. GWB in Building lobbies and miscellaneous service rooms.

ELEVATOR SYSTEM

The Building will be served by two (2) geared passenger elevators and one (1) oversized, 5,000 pound capacity hydraulic freight elevator. The passenger elevators shall extend to all floors of the Building including the garage. The freight elevator shall extend to all office floors and be located adjacent to the first floor loading dock. At Tenant's option, the freight elevator can be moved and converted to a traction "swing" elevator with a higher ceiling to handle the movement of freight. The oversized "swing car" will be finished like the passenger elevators and may be used solely by passengers during peak demand periods, and both passengers and freight at other times.

1. The system will include the complete and workmanlike installation of elevators, with duplex selective collective operation.

2. The system response time, as measured by registration of hall calls, will not exceed 30 seconds during any up-peak demand with all cars in-group service.

3. The elevators will be equipped with proximity card readers that interface directly with the Building card access system. The Building card access system will provide the flexibility to program access or denial of access to each card reader based upon one or a combination of variables, such as days of the year, month or week, time of day, or an individual card. The Building security system will be capable of printing out a record of each attempted or actual access at any card reader in the Buildings. See "Security System" specifications below.

4. The elevator cabs will be customized utilizing wood or fabric wall panels, stone tile and/or carpet flooring. Architectural metal fronts, ceiling, and lighting furnished by Cab supplier.

One (1) car control station will be provided in each standard cab. One
(1) car control station will be provided in the "swing car" cab.

Elevators shall conform to all ADA requirements. Pads will be provided for one (1) elevator in the Building (the "swing car").

Standard cab inside height will be eight feet (8'). "Swing car" inside height will be approximately nine feet, six inches (9' - 6").

MECHANICAL SYSTEM

The system will be designed and installed to meet all current codes.

1. PERFORMANCE CRITERIA:

a. Summer outside temperature at 85 degrees, system maintains 74 egrees inside.

b. Winter outside temperature at 17 degrees, system maintains 72 degrees inside.

c. Occupant load based on 150 square feet per person, with people loads calculated 450 btuh/person, combined sensible and latent.

d. Ventilation air designed at 20 CFM per person.

e. Cost effective heat reclaim technologies to be applied as required by code.

f. Provision for "off-loading" capabilities of equipment such as pumps, compressors and fans to permit economics and flexibility in after hours operation.

g. Rooftop equipment will be installed with refrigerants to meet current CFC requirements.

h. Toilet exhaust and other "dirty air" exhausted directly out of Building at roof. These shafts will be sized to accommodate exhausting of electrical and communication rooms.

i. Mechanical noise levels shall be kept at or below NC40.

j. The basic system shall be designed with capacity to cool miscellaneous equipment loads of 3.0 watts per square foot.

2. HVAC SYSTEM

a. GARAGE:

Ventilation only to provide exhaust per current codes.

b. BUILDING:

Rooftop mounted, packaged DX (Direct Expansion) VAV HVAC system. Roof curbs, vibration isolation, and sound attenuators shall be provided. The Building's roof top equipment will have capacity for handling Tenant miscellaneous equipment as specified above. The equipment will employ DX units with multiple refrigeration circuits that will allow off-hour use in selected areas and still have the advantage of economizer cooling. System will provide for a full hundred percent (100%) outside air economizer when atmospheric conditions are appropriate. Building HVAC will be monitored and controlled by a Direct Digital Control (DDC) energy management and environmental controls system featuring individual zone control and after-hours flexibility. Individual zone terminal boxes will be "pressure independent," series fan powered perimeter terminal boxes capable of multi-staged heating and cooling, with cooling only terminal boxes for interior zones. The terminal boxes, control wiring and temperature sensors will be furnished and installed as part of Tenant work.

c. HVAC SYSTEM OPERATING HOURS:

The computerized environmental control system for the equipment will permit an override of the operating schedule to serve an individual zone or a predefined group of zones, by pushing a button on the thermostatic sensor. Weekends, holidays or scheduled "non-business hours" periods can be accommodated with the activation of the Building system to provide service to reasonably sized sub areas, for a nominal extra cost.

PLUMBING

Plumbing work shall include design installation of a complete plumbing system for buildings including all equipment and systems. All materials installed shall be new and of commercial quality with the same brand or manufacturer used for all similar material or equipment. Color of all fixtures shall be white, unless otherwise specified. Enamelware shall be acid resisting throughout. The following is a partial list of required systems and services:

a. Toilet room fixtures as required by all codes, including ADA.

b. All roof and overflow drains per code. Provide floor drains with trap primers in all toilet rooms.

c. Back-flow Preventer (BFP) and Pressure Reducing Valve (PRV).

d. Drinking fountains shall be furnished as Electric Water Cooler (EWC) and per ADA

requirements.

e. All waste and vent piping systems.

f. All plumbing/piping systems are to be stubbed outside the building and include final connections/coordination to city/local utilities.

g. Access doors and access panels in finished walls, floors, or ceilings are required and shall be unobtrusive.

h. Storm water piping from roof drains.

i. Condensate drainage system connected to all mechanical equipment condensate drain pans, connected in turn to the building piping system.

ELECTRICAL SYSTEM FOR THE BUILDING SHELL

The system will be designed and installed to meet all applicable current codes.

1. MAIN BUILDING SHELL ELECTRICAL SERVICE DESCRIPTION:

Incoming power will be provided to the Building by the local utility ("Utility") via a transformer installed and maintained by the Utility. Power will then travel from the transformer vault to the Building's main service switchgear which will have multi-level ground-fault protection and be sized to provide levels of service, circuit and devices as outlined below at a service voltage of 480 volts.

The main Building service configuration will be a wye, three-phase, four-wire service. In addition to utility metering, digital owner meters for maximum demand, voltage and amperes will be provided at main service switchgear.

A riser busway, or other reliable feeder system, will carry full service capacity through each floor's electrical room from the main switchgear in each Building. Lighting and small mechanical system motor loads will be served from high voltage (480v/277v) panels located on each floor in Building electrical rooms throughout the Building at Landlord's expense. Large mechanical loads will be fed from the main service switchgear.

Low voltage (208v/120v) loads will be served through Building Shell & Core distribution dry type transformers and two (2) electrical circuit panel boards, with 42 circuits each, located on each floor at Landlord's expense.

2. ELECTRICAL POWER CAPACITY:

Landlord shall provide main (480V/277V) Building electrical service capacity (amperage) to satisfy Tenant's reasonable electrical requirements. The main building electrical service capacity is designed to provide at least 18 watts per square foot of useable area plus an additional three (3) watts per square foot to accommodate Tenant's electrical needs.

All electrical work necessary to install Tenant's (280V/120V) electrical outlets, and connect them to the main building electrical service and Building Shell & Core circuit panels shall be provided for under Tenant Work.

3. LIGHTING:

a. Lighting unit power density in Building common and office areas will comply with current energy code using energy efficient lighting lamp and ballast technology. Offices are currently allowed 1.2 watts per gross square foot of area.

b. LIGHTING FIXTURES:

All interior lighting will be fluorescent fixtures of high quality and various architectural types (e.g. recessed, wall sconces, troffer style, etc.). Exterior lighting will be HID (High Intensity Discharge) type. Electronic or energy efficient ballasts will be utilized in all fixtures.

Tenant shall provide its own lighting fixtures in the office areas, through its Tenant Work Allowance.

4. COMMUNICATIONS AND DATA CONSIDERATIONS

a. Stacked dedicated, data/telephone closets and sleeve access between floors (planned floor penetrations) and to the roof for data and communication lines.

b. Provide access only for electrical service to the roof for power to Tenant's communication devices.

c. Separate "isolated ground" wire for sensitive electrical, data and communications devices. Access available at all floors. Building grounding system will not exceed five (5) ohms to ground.

d. Access to perimeter wall areas for electrical, phone and data outlets, to be furnished and installed by Tenant, shall be coordinated in accordance with the Shell and Core construction schedule.

e. Generic alarm monitoring of mechanical equipment capability in the event of power or equipment failure. Critical equipment will be furnished with contacts and a modem to relay trouble alarms to a PC purchased by Tenant and located on the premises.

5. EMERGENCY POWER

Emergency generator system and installation shall be a Tenant furnished and installed item. Shell and Core emergency lighting and other fire life safety code related systems shall be powered by code approved emergency power supply.

SECURITY SYSTEM

1. All perimeter building and garage access points will be protected and monitored 24- hours per day, seven days per week by a UL approved monitoring station.

2. A proximity card key access system capable of printing out each use of the system for each exterior entrance to each Building, each garage gate and each elevator cab. The basic system shall include one printer and shall be expandable at Tenant's cost to provide office space access control as a part of Tenant's tenant improvements.

FIRE PROTECTION AND LIFE SAFETY SYSTEMS

1. Fire sprinkler system will be individually valved and alarmed on each floor.

2. The system shall be equipped with monitoring devices for 24-hours per day, seven days per week monitoring by a UL approved central monitoring station for smoke, waterflow and valve tampering. The monitoring service shall be an operating cost.

3. Fire rated doors, smoke detectors, heat detectors, alarm systems, fire extinguishers, fire hose cabinets, standpipes and other such devices will be provided as required by code for Building Shell and Core and common areas. A central fire alarm system capable of supporting an ADA approved system throughout the Building will be provided. Expansion or modification of such systems within Tenant areas will be a part of Tenant's Improvement costs.

BUILDING STANDARD OFFICE AREA FINISHES INCLUDED WITH THE BUILDING SHELL

The following improvement work shall be provided by Landlord as part of its Shell and Core work.

1. Electrical (480V/277V) service distributed to each floor set within the building core with two (2) 42 circuit 120V/208V panels and transformer provided. Branch circuit wiring to be accomplished under Tenant work. (see Electrical System specification above).

2. Aluminum window sills, aluminum sill extensions and aluminum window head. Perimeter GWB (including perimeter columns) tacked to steel stud framing. Interior columns are sheathed with GWB tacked to steel stud framing.

3. Sprinkler heads, installed in shell and core work in accordance with governing code for unoccupied space.

4. Base HVAC system installed and operating, including main duct distribution on each floor up to, but not including, the series type terminal fan units and thermostats. The terminal boxes, thermostats, flex duct and diffusers shall be part of Tenant work.

5. Common area fire alarms, smoke detectors and exit lights installed per code and in compliance with the ADA.

6. First Floor lobby, building restroom facilities, and exterior spaces shall be finished in accordance with governing codes and ordinances as a part of the Building Shell and Core.

7. Shell and Core floor shall be flat and level in accordance with the industry standards for the type and location of the installation.

8. Levelor 1" blinds purchased and installed by Landlord with the cost of same ($0.25 per square foot of NRA) charged against the Tenant's improvement allowance.

EXHIBIT D

SIGNAGE CRITERIA

This Exhibit D is a supplement to Section 36 of the certain lease (the "Lease") between 401 Elliott West LLC (the "Landlord") and F5 Networks, Inc. (the "Tenant"). This Exhibit further clarifies the criteria for the signage provided for in Section 36 of the Lease. As stated in the Lease Tenant shall have two signage opportunites. The criteria for these signs is more specifically delineated as follows:

1. MONUMENT SIGN (SIGN "A")

Tenant shall be allowed to place one monument sign adjacent to the building entry, or in the landscaped area adjacent to the Building. Approved locations for Sign A are as shown on the attached site plan.

Sign A shall be an non-illuminated freestanding sign, up to 48" wide by 48" high as shown on the attached drawing. The parties to the Lease shall mutually agree upon the final configuration and materials of Sign
A.

2. BUILDING MOUNTED SIGNS (SIGN "B").

Tenant shall be allowed the exclusive right to place two building mounted signs on the top parapet of the Building. Three possible locations are available for these two signs: one on the east elevation, one on the south elevation and one on the west elevation. These possible locations for the two approved signs (Sign B) are as shown on the attached elevation plans.

These signs shall be pin mounted and may be back lighted. The sign letters may be as large as 30" high and they shall be centered in the top three foot band of the parapet, The parties to the Lease shall mutually agree upon the size of any logo, configuration and materials of Sign B.

[BUILDING DESIGN]

EXHIBIT E

SPECIFICATIONS FOR CLEANING SERVICES

The Buildings will be serviced five (5) days per week in the following areas:
Corridors, Elevators, Entry, Hallways, Lobby, Lunch Rooms, Coffee Stations, Office Cubicles, Office Suites, Parking, Restrooms and Stairways.

SERVICE SPECIFICATIONS

A. SERVICE AREA

401 ELLIOTT WEST

Building Two
Seattle, WA 98119

B. GENERAL AREAS

1. DAILY SERVICES

a. Empty and clean all waste receptacles, replacing trash liners as needed to prevent odors, spills or any offensive appearance. Wash and sanitize waste receptacles, as necessary. Trash to be removed to dumpster or compactor provided on site by Client.

b. Dust ledges and other horizontal surfaces within reach.

c. Dust counters, spot wash where required.

d. Dust horizontal surfaces of desks, chairs, tables, file cabinets and other office furniture. If glass, use glass cleaner.

e. Vacuum all carpeted traffic areas in offices, lobbies and corridors and entrance mats.

f. Spot clean minor carpet stains. Report any large/major carpet stains to Building Management via logbook.

g. Dust mop all resilient and composition floors with treated dust mops. Damp mop to remove spills and water stains as required.

h. Clean, sanitize and polish all drinking fountains.

i. Remove all finger marks and smudges from all vertical surfaces (i.e., doors, frames, light switches, relites and partitions).

j. Remove all lint and physical dirt from fabric upholstered chairs, couches, etc.

k. Vacuum or brush all conference room chairs and reposition under conference tables, be careful not to damage table/chair edges.

l. Spot clean all glass partitions, relites, all doors, including suite entrance doors and adjacent glass \panels.

m. Return all chairs and waste baskets to proper position for next day's use. n. Clean all coffee stations:

1. Wash and wipe counter tops and cabinetry.

2. Sweep and damp mop floors.

3. Clean sinks if cleared of tenant items.

4. Spot clean walls with water only.

5. Remove trash, replacing trash liners nightly. Wipe exterior of garbage cans. Sanitize interior of garbage can as needed to prevent odors and offensive appearance.

6. Load all cups/mugs into dishwasher. Put in soap and run dishwasher. When clean, put cups/mugs away in cabinets.

o. Clean lunch rooms:

1. Vacuum all carpeted areas, sweep all hard surface floors and damp mop. Wash and wipe serving area counter tops and cabinet fronts.

2. Collect all trash and remove from the premises, place in dumpster or compactor provided on site by Client.

p. Do not move items on desks or credenzas while cleaning. Do not unplug computers, typewriters, copy machines or other electrical equipment.

q. Discard only the contents in waste containers. NO OTHER ITEMS ARE TO BE DISCARDED UNLESS MARKED AS TRASH. Remove to trash compactor or dumpster on site, provided by Client.

r. If recycle program is in effect, remove recycle materials to containers provided by Client.

s. Do not assist the entry of anyone other than the Contractor's employees into occupant space or other Building property. All Contractors must have AT&T Wireless photo I.D. badge visible at all times.

t. Report in the control log and to Building Management any broken fixtures or other items needing Management attention.

u. Maintain neat and orderly janitor supply closets. All chemicals must have MSDS information in janitor closet.

v. Replace burned out lights, accessible with a six foot step ladder, on a nightly basis. Lamps to be provided by Client.

w. Building doors are to be remained locked at all times during cleaning so as to preclude unauthorized entry.

x. Clean elevator cab surfaces and vacuum door tracks.

2. WEEKLY SERVICES

a. Dust high surfaces (i.e. tops of picture frames, partition tops, moldings, cabinets, wall hangings and other wall accessories).

b. Wet mop all resilient and composition floor surfaces.

c. Clean and polish doors, conference tables, executive office desks and credenza tops that are cleared.

d. Wipe clean and polish all metal hardware throughout the area.

e. Vacuum and edge all carpeted areas not vacuumed daily.

f Vacuum all upholstered furniture in office area.

g. Damp wipe all telephones in common areas with an approved germicide cleaner. Do not spray solution directly on phone equipment.

3. MONTHLY SERVICES

a. Dust baseboards.

b. Vacuum or dust air diffusers.

c. Dust venetian blinds.

d. Clean and buff all resilient and composition floors.

e. Shampoo and extract elevator and elevator lobby carpets.

f. Clean and dust interior of fire extinguisher cabinets.

4. QUARTERLY CLEANING SERVICE

a. Dust overhead lighting fixtures.

b. Dust ventilator ducts and vents, vacuum surrounding ceiling areas.

c. Wash exposed surfaces of filing cabinets.

d. Clean and sweep telephone, electrical and janitorial closets.

e. Vacuum all carpets with pile lifter to restore pile to its original upright position.

5. BI-ANNUAL CLEANING SERVICE

a. Strip old finish from all tile, clean grout (acid wash if Property Manager deems necessary) and V.C.T. floors and refinish, per manufacturer's specifications.

b. Wipe down inside of overhead lighting fixtures lens cover.

C. LOBBY, ENTRY AND HALLWAYS

1. DAILY SERVICES

a. Empty all waste containers, wash and reline as needed. Remove trash to dumpster or compactor provided on site by Client.

b. Spot clean exterior surface of waste containers.

c. Empty and clean all ashtrays and cigarette urns.

d. Screen and/or replace sand in cigarette urns. Sand provided by Client.

e. Clean, sanitize and polish water fountains.

f. Dust all plant pots.

g. Dust all horizontal surfaces within reach.

h. Vacuum carpeted floor surfaces.

i. Spot clean minor carpet stains. Report any large/major carpet stains to Building Management via logbook.

j. Dust mop hard floor surfaces.

k. Wet mop hard floor surfaces as necessary.

l. Remove gum, tar and other foreign substances from floor surfaces.

m. Spot clean all marks on walls.

n. Clean door thresholds and vacuum entrance walk-off mats.

o. Police all interior public areas and planters for debris.

p. Replace burned out lights, accessible with a six-foot step ladder, on a nightly basis. Lamps to be provided by Client.

q. Spot clean all bright work, including but not limited to door hardware, kick plates, and hand rails.

r. Dust and spot clean to remove smudges the building directory and building signage throughout the buildings.

s. Maintain all natural stone floor surfaces to retain original appearance at installation.

2. WEEKLY SERVICES

a. Dust baseboards.

b. Hose down exterior entrances and walkways.

3. MONTHLY SERVICES

a. Wash all waste containers.

b. Vacuum air diffusers.

c. Edge all carpeted surfaces.

d. Dust high partitions, ledges and moldings.

4. QUARTERLY SERVICES

a. Completely wash partitions/walls

b. Spot buff (to remove marks, etc.) and refinish restroom tile floors.

c. Vacuum all carpets with pile lifter to restore pile to its original upright position.

5. ANNUAL SERVICES

a. Dust high partitions, ledges and molding.

D. ELEVATORS

1. DAILY SERVICES

a. Vacuum and edge all carpeted floor surfaces.

b. Spot clean carpet stains. Report any large/major carpet stains to Building Management via logbook.

c. Clean and vacuum elevator tracks on every floor.

d. Clean both sides of elevator doors.

e. Spot clean vertical surfaces.

f. Dust all horizontal surfaces.

g. Remove gum, tar and other foreign substances from floor.

h. Clean and polish all metal work.

i. Spot clean elevator call buttons.

2. MONTHLY SERVICES

a. Dust ceiling fans and vents.

E. STAIRWAYS

1. DAILY SERVICES

a. Gather all waste and place for disposal in dumpster or compactor provided on site by Client.

b. Spot mop spillage.

c. Remove gum, tar and other foreign substances from floor.

2. WEEKLY SERVICES

a. Dust horizontal surfaces within reach.

b. Dust handrails.

c. Sweep stairs.

3. MONTHLY SERVICES

a. Spot clean wall surfaces within reach.

F. RESTROOMS

1. DAILY SERVICES

a. Check and refill towel, soap, toilet paper, seat covers and sanitary napkin dispensers. Consumable supplies provided by Client.

b. Sweep or dust mop floor surfaces.

c. Wet mop floor surfaces with disinfectant solution.

d. Dust horizontal surfaces within reach.

e. Empty and clean all waste containers and place for disposal in dumpster or compactor provided on site by Client.

f. Empty and clean all sanitary napkin containers.

g. Clean and polish all soap, towel, toilet paper and seat cover dispensers.

h. Clean and polish all mirrors, bright metal, other fixtures, frames and shelves.

i. Clean and polish all wash basins.

j. Clean and sanitize partitions, counters, toilets, toilet seats, wash basins and urinals.

k. Clean and polish chrome fixtures.

l. Spot clean walls around sinks, towel dispensers, urinals, partitions and door frames.

m. Remove gum, tar and other foreign substances from floor surfaces.

n. Report any fixture not working properly to Building Management via logbook.

2. MONTHLY SERVICES

a. Dust or vacuum air diffusers.

b. Wash walls, partitions and doors.

c. Dust or vacuum light fixtures.

3. QUARTERLY SERVICES

a. Machine scrub ceramic tile floors. Replace finish per manufacture specifications.

G. BUILDINGS EXTERIOR

1. WEEKLY SERVICES

a. Police all exterior perimeter sidewalks, complete to gutter. Remove all trash and debris, including cigarette butts.

b. Sweep sidewalks, benches and gutters adjacent to buildings to remove cigarette butts and litter.

c. Spot clean all exterior glass at building entrances.

d. Spot clean and dust all architectural elements such as ledges, mirrors and handrails adjacent to entrances of buildings.

2. QUARTERLY SERVICES

a. Steam clean, machine scrub or pressure wash exterior sidewalks and plaza areas associated with the Buildings.

H. SERVICE ENTRANCES, TRASH AREAS AND LOADING DOCK

1. DAILY SERVICES

a. Place all miscellaneous trash and debris, except construction material in the appropriate trash receptacle.

b. Clean up any construction debris and place in a designated area. Notify Client's agent the morning following the work the type of said debris and the time associated with the cleaning. Keep record of the time and material used for this work for back charges to the offending contractor (s). Submit a separate invoice within the week in which the work took place outlining the scope of work performed and associated costs. Failure to report this work per the above guidelines will eliminate payment by Client for said work.

c. Sweep entire area with sweeping compound to eliminate resettling of dust.

d. Wet mop any spills or stains.

2. WEEKLY SERVICES

a. Hose down entire loading dock and service entrance. Deodorize and disinfect area, as required.

I. CARPET CLEANING

1. QUARTERLY SERVICES

a. Shampoo entry floor lobby, public hallway and garage level elevator lobby carpets on first, second and third floors, including garage level.

b. Shampoo all elevator cab carpets.

J. PARKING GARAGE

1. DAILY SERVICES

a. Vacuum all hard surfaced floors associated with elevator lobbies, then wet mop with clear water and mop dry.

b. Gather all waste and place for disposal in dumpster or compactor provided on site by Client.

c. Police stairwells and remove debris, gum, tar and other foreign substances from the stairs and stair landings. Spot mop spillage.

2. WEEKLY SERVICES

a. Dust horizontal surfaces associated with elevator lobbies and stairwells.

b. Dust handrails.

c. Sweep all stairs and landings.

3. QUARTERLY SERVICES

a. Spot clean wall surfaces in elevator lobbies and stairwells within reach.

EXHIBIT F

TENANT WORK LETTER

F5 Networks, Inc. (hereinafter called "Tenant") and 401 Elliott West LLC (hereinafter called "Landlord") are executing simultaneously with this Tenant Improvement Work Letter ("the Work Letter") a written Lease ("the Lease") for space in the building known as 401 Elliott West, Building Two, Seattle, Washington 98119. As further consideration to entering into the Lease, Landlord and Tenant mutually agree to the following terms and conditions.

I. LANDLORD WORK AT LANDLORD EXPENSE

Landlord shall complete the Building Shell and Core in substantial accordance with Exhibit C, Building Shell and Core Outline Specifications (the "Landlord Work"). As used in this Lease, the "Delivery Date" shall be the date the Premises are sufficiently complete to allow Tenant to commence construction of Tenant's improvement work (the "Tenant Work") when Landlord has substantially completed (excepting punch list items and items that do not materially interfere with the construction of the Tenant Work) the following items of its Landlord Work, provided that in the event the Delivery Date is delayed due to Tenant Delay, then the Delivery Date shall be the date on which the Delivery Date would have occurred but for the Tenant Delay:

A. Building fully enclosed and water tight, including the roof and permanent exterior walls.

B. Power and lighting electrical service available as described in Exhibit C for distribution by the Tenant.

C. There shall be satisfactory evidence that:

1. The balance of the Landlord Work can be completed prior to the Commencement Date; and

2. The Tenant's contractor has an opportunity to proceed efficiently with the Tenant Building Improvements, subject to a requirement of reasonable coordination and cooperation with Landlord's Shell and Core contractor.

Tenant may begin the Tenant Work ahead of the above items being completed at Tenant's election provided that 1) Tenant acknowledges such action shall establish the Delivery Date, and 2) the Tenant's decision to begin the Tenant Work shall not interfere with the Substantial Completion of the Premises.

Except as set forth above and as defined in Exhibit C, all work, improvements, finishes and/or equipment required by Tenant and/or specified in the approved Tenant Plans for the Premises shall be considered the Tenant Work.

II. LANDLORD WORK AT TENANT EXPENSE

Upon request by Tenant, Landlord will have certain Building Shell and Core work that exceeds the scope of the Landlord Work, as defined above, completed during the normal course of construction of the Building Shell and Core. This work shall hereinafter be referred to as "Shell and Core Tenant Upgrades." Once the scope of the Shell and Core Tenant Upgrades are known, Landlord shall provide Tenant with a budget for these Upgrades. All Shell and Core Tenant Upgrades, including the cost for same, shall be authorized in writing by Tenant and approved in writing by Landlord on the same basis as the approval of Tenant's Plans (see III.A.4 below). All Shell and Core Tenant Upgrades shall be performed by Landlord's contractor under Landlord's supervision.

III. THE TENANT WORK

A. TENANT'S PLANS. Tenant shall employ an architect/space planner ("Tenant's Architect") as its architect to provide information to Landlord as necessary for the completion of Shell and Core Tenant Upgrades and to prepare architectural drawings and specifications for all layout and improvements to the Premises not included in the Landlord Work. Tenant shall also employ all necessary engineers (the "Tenant's Engineers") to prepare technical working drawings and specifications for all the Tenant Work, including structural alterations, mechanical and electrical work. All such drawings and specifications are referred to herein as "Tenant's Plans" and shall include the "Preliminary Plans", "M & E Working Drawings" and "Issued for Construction Documents" all of which are hereinafter defined. Tenant's Plans shall be in form and detail sufficient to secure all required governmental approvals and shall be completed on Auto-Cad (Version 14 or higher).

Tenant's Architect and Tenant's Engineers shall be mutually acceptable to Landlord and Tenant. Sparling Engineers and the McKinstry Company are hereby approved as Tenant's Engineers for mechanical and electrical engineering work. Other architects and engineers required in the course of Tenant's Plans will be as mutually approved.

1. PRELIMINARY PLANS. The "Preliminary Plans" shall be a schematic plan (1/8" scale) for the Premises showing interior partitions, a preliminary reflected ceiling plan, and rough locations and approximate quantities for, any plumbing fixtures and phone, data and electrical outlets. Locations for special structural and loading requirements in excess of those provided for in Exhibit C will be provided to Landlord prior to October 1, 1999. The cost of increasing the floor loads beyond those identified in Exhibit C, shall be a Shell and Core Tenant Upgrade.

2. MECHANICAL AND ELECTRICAL ENGINEERED WORKING DRAWINGS AND SPECIFICATIONS ("M & E WORKING DRAWINGS"). The Tenant Plans shall be engineered to provide for complete mechanical and electrical operating systems. Tenant shall contract with Tenant Engineers and cause them to prepare M & E Working Drawings showing complete plans for electrical and mechanical systems including but not limited to, life safety, automation, plumbing, and air cooling, ventilating, heating and temperature controls. Tenant shall use Landlord's engineers for this work: McKinstry & Co. (mechanical) and Sparling Engineers (electrical).

3. ISSUED FOR CONSTRUCTION DOCUMENTS. The "Issued for Construction Documents" shall consist of all drawings (1/8" scale) and specifications necessary to construct all Tenant Work in form and detail sufficient to secure all required governmental approvals and to demonstrate conformity with the Landlord's standards and quality. Tenant's Architect and Tenant's Engineers are responsible for having all mechanical, electrical, life safety and Tenant Work required structural drawings complete.

4. APPROVAL BY LANDLORD. Tenant's Plans shall be subject to Landlord's approval, which approval shall not be unreasonably withheld or delayed. Landlord shall be entitled to withhold approval if the proposed plans and specifications (i) interfere with the structural integrity of the Buildings, (ii) overload the utility systems of the Buildings, (iii) violate any applicable laws or regulations, (iv) materially affect the architectural integrity of the Buildings, or (v) affect the future marketability of the Buildings. If Landlord disapproves of any of Tenant's Plans, Landlord shall advise Tenant in reasonable detail of required revisions and the reasons therefor. After being so advised by Landlord, Tenant shall promptly submit a redesign, incorporating the revisions required by Landlord, for Landlord's approval. If Tenant has reason to dispute any Landlord disapproval, then the parties shall meet within 5 days and attempt to resolve the dispute.

If the Parties are unable to resolve their differences as to Tenant's Preliminary Plans within 5 days after meeting, then either party may initiate an arbitration procedure by notifying the other Party of the need to submit their disagreements to binding and final arbitration by a mutually acceptable arbitrator with at least ten (10) years commercial office design experience. If the parties are unable to agree on the arbitrator within a period of ten (10) days of notice, then either party may request resolution by a single arbitrator before the American Arbitration Association, as set forth at the end of Lease Section 21.

5. SUBMISSION BY TENANT. Tenant shall submit Tenant's Plans to Landlord on or before the following dates:

October 1, 1999: Structural floor load requirements. January 1, 2000: All remaining Tenant Plans.

6. PERMITS. Tenant shall be responsible for the cost and scheduling of the submission of Tenant's Plans, in a timely manner, for plan check by the City of Seattle and the obtaining of a building permit for the Tenant Work.

B. TENANT IMPROVEMENT CONSTRUCTION

1. Tenant shall be responsible for the construction of the Tenant Work in accordance with approved Tenant Plans.

2. Tenant shall, upon completion of Tenant's Plans, directly contract for the Tenant Work itself and request proposals from Landlord's general contractor, as well as other qualified tenant work general contractors working under the same building trade work rules as

Landlord's general contractor. The qualified list of such contractors shall be mutually approved by Tenant and Landlord. When a contract is executed between the selected contractor and Tenant, said contractor shall be referred to as "Tenant's Contractor." Tenant agrees to cooperate with Landlord and Tenant's Contractor in the completion of the Tenant Work by responding to Landlord's and Tenant's Contractor's requests for information in a timely fashion and Landlord agrees to respond similarly to Tenant and Tenant's Contractor.

3. Tenant shall submit to Landlord a preliminary cost estimate for the Tenant Work and shall provide to Landlord a final pricing for the Tenant Work when received from Tenant's Contractor but not later than fifteen (15) days prior to the commencement of the Tenant Work.

4. Tenant's construction contract with Tenant's Contractor shall be a guaranteed maximum price contract (the "Tenant Improvement Construction Contract") and shall contain a construction schedule (the "Tenant Improvement Construction Schedule") for construction of the Tenant Work. The guaranteed maximum price specified in the Construction Contract shall include all costs and fees for construction of the Tenant Work with the exception of any required governmental permit fees, professional fees and Washington State Sales Tax. To the extent Tenant obtains any construction warranties from the general contractor and/or any of the subcontractors performing any of the Tenant Improvement work, it shall assign such warranties to Landlord, to the extent assignable, and, in the event such warranties are not assignable, Tenant agrees to enforce such warranties on Landlord's behalf.

C. SCHEDULE

1. Provided that Tenant meets the scheduled deadlines for preparation and approval of Tenant's Plans, the Delivery Date, subject to any Tenant Delay or Force Majure delay, shall be February 29, 2000.

D. LANDLORD'S ALLOWANCE FOR TENANT WORK

1. Landlord shall provide to Tenant a total "Tenant Improvement Allowance" as provided in Section 31 of the Lease. The Tenant Improvement Allowance shall be applied first toward the costs relating to Shell and Core Tenant Upgrades, including applicable Washington State Sales Tax, then toward the construction of the Tenant Work shown on the final approved Tenant's Plans, including applicable Washington State Sales Tax. The maximum allowance for Shell and Core Tenant Upgrades and Tenant Work shall not exceed $30.00 (Thirty dollars) per Rentable Square Foot.

2. The Landlord shall pay the cost of the Tenant Work, up to the maximum allowance, directly to the Tenant as more fully described in Section IV below.

E. TENANT DELAY

1. The term "Tenant Delay" shall include, but shall not be limited to, any delay in the occurrence of the Delivery Date or completion of Landlord's Work resulting from:

a) Tenant's failure to perform any of its obligations with respect to the schedule dates contained herein or in the Lease, which actually results in a delay of the Delivery Date; or

b) Any Tenant materials, finishes or installations called for on the Tenant Plans which are not readily available and, as a result, adversely affect the schedule;

c) Any modification by Tenant to the Tenant's Plans that adversely affects the schedule; or

d) Any Act by Tenant or its agents and contractors in installing any tenant fixtures or equipment that unreasonably delays the issuance of the Certificate of Occupancy or temporary Certificate of Occupancy for the Premises; or

e) Any delay as a result of Section IV.B. Administration of Work, Changes, Additions or Alternations.

Landlord shall make commercially reasonable efforts to mitigate the effect of any event that would otherwise cause Tenant Delay, provided that Landlord shall not be required to expend additional funds to mitigate Tenant Delay unless Tenant agrees in writing to reimburse Landlord for such costs.

F. LANDLORD DELAY

The term "Landlord Delay" shall mean those construction events within the reasonable control of Landlord (i.e. excluding Tenant Delay, force majeure and actions for which Landlord is not responsible under this Exhibit F) to the extent such event causes:

a) a material and unexpected interference with Tenant's construction of the Tenant Work and resulting delay in substantial completion of the Tenant Work, or

b) a delay in substantial completion of the Building Shell and Core beyond the reference dates specified in Section 3 and this Exhibit F.

Tenant shall make commercially reasonable efforts to mitigate the effect of any event that would otherwise cause Landlord Delay, provided that Tenant shall not be required to expend additional funds to mitigate Landlord Delay unless Landlord agrees in writing to reimburse Tenant for such costs.

G. COOPERATION

The parties agree to use best efforts to cause each of their respective consultants, architects, engineers and contractors to cooperate with one another so that the Landlord Work and Tenant Work are promptly, diligently and efficiently constructed.

H. PUNCH LIST

Within twenty (20) days after Completion of the Building Shell and Core, Tenant shall supply to Landlord a written punch list setting forth readily apparent additional corrective non-warranty work to the Building Shell and Core which Tenant believes is required to be performed pursuant to the requirements of Exhibit C. Once Landlord has been provided with a punch list in accordance with the foregoing, and agrees with the content of the punch list, Landlord shall within thirty (30) days of receipt of the punchlist take such measures as are necessary to correct such defective work.

IV. ADMINISTRATION OF WORK

A. LANDLORD REIMBURSEMENT

1. Landlord shall at the direction of Tenant either reimburse Tenant or directly pay Tenant's Contractor (up to the maximum amount of the Tenant Allowance remaining after reductions for Shell and Core Tenant Upgrades) for the Tenant Work on a monthly basis, within twenty (20) days after the receipt of a draw request from Tenant's contractor, accompanied by a signed Application and Certificate for Payment (in AIA format) from Tenant's Architect confirming that the work covered by such draw request has been completed to its satisfaction and setting forth, inter alia, the percentage of the Tenant Work completed to date. This payment request shall also be accompanied by partial conditional lien releases from Tenant's Contractor covering the Tenant Work performed and/or materials and labor supplied through the date of each application for payment and full conditional lien releases from each subcontractor and supplier which has at that stage completed its work and confirmation from Tenant that its general contractor is not in default and that the percentage of work completed on the draw request is accurate. The reimbursement shall be calculated on a percentage of completion basis less a retention as called for under the Tenant Improvement Construction Contract, but not less than five percent (5%). After completion of one hundred percent (100%) of the Tenant Work, Landlord shall either reimburse Tenant or directly pay Tenant's Contractor for the then unreimbursed balance of the allowance for the Tenant Work minus any mutually agreed holdback for uncompleted punch list items, within thirty (30) days following receipt of a schedule reflecting such costs, together with paid invoices supporting such costs, and satisfaction of all of the following conditions:

a) Receipt by Landlord of a set of "as built" drawings for the Tenant Work and a copy of all warranties in effect with respect to such Tenant Work;

b) Receipt by Landlord of a certificate from the Tenant's architect confirming that all Tenant Work have been performed in accordance with the approved plans and specifications, governing codes and ordinances and all punch list items, except mutually agreed items have been corrected;

c) Receipt by Landlord of reasonable evidence of payment by Tenant of all other costs, including extras and change orders, to its construction contract;

d) The receipt of lien releases from the general contractor and all other persons who performed work on or supplied materials for use in or otherwise have lien rights with respect to the Tenant Work;

e) Landlord's on-site review of the Tenant Work and its reasonable approval thereof; and

f) Issuance of a Certificate of Occupancy for the Premises by the City or satisfactory evidence that said Certificate of Occupancy will be issued for the Premises within the said 30 day period;

No payment shall be made while Tenant is in default under the Lease. If any payment is not made when due, interest shall accrue thereon at the rate provided in Section 20.b. of the Lease, but Tenant may not offset unpaid amounts against sums otherwise due Landlord under this Lease, absent a final judgment thereon.

2. If any lien is filed with respect to the Premises during the course of construction of the Tenant Work, Tenant shall notify Landlord in writing describing the cause of the lien and, if lien is for reason other than nonpayment by Landlord, the Tenant shall remove or otherwise satisfy the lien.

3. If Tenant elects to have Landlord directly pay Tenant's Contractor per Section IV.A.1 of this Exhibit F, then Tenant shall provide Landlord evidence satisfactory that Tenant has funds sufficient to fund all amounts above the Tenant Allowance.

B. CHANGES, ADDITIONS OR ALTERATIONS

1. TENANT REQUESTED CHANGES. If Tenant shall request any change, addition or alteration in any of the work shown in the Tenant's Plans after Landlord's approval thereof (whether the result of governmental requirement or otherwise), Tenant shall promptly give Landlord a written description of the changes requested and submit to Landlord plans and specifications describing such change. Provided the plans and specifications are complete, Landlord shall expeditiously (but in no event longer than within five (5) days after receipt of the complete plans and specifications) review such plans and specifications and provide to Tenant written approval of proposed changes. Landlord's approval shall be governed by III.A.4. above. Notwithstanding the foregoing, the costs of any Change Order relating to the Tenant Work shall be applied against the Tenant Work Allowance to the extent of any remaining balance thereof. Notwithstanding anything herein to the contrary, Landlord shall have no obligation to agree to or complete any Change Order if and to the extent any delay resulting or possibly resulting from the same jeopardizes the Delivery Date of the Premises, unless Tenant accepts total responsibility for such delay and reasonably compensates Landlord for such delay.

2. CHANGES DURING CONSTRUCTION (SHELL AND CORE TENANT UPGRADES
AND TENANT WORK). Revisions to the Shell and Core Plans or Tenant Plans, if any, are to be accommodated by Field Change Orders. A "Field Change Order" is a document which outlines the scope of a requested change in the Work as defined by the Shell and Core Plans and Tenant Plans and bears the signature of Tenant and Landlord representatives approving such change in scope. All such plans, specifications, and Field Change Orders shall be approved by Landlord and Tenant prior to being executed or acted upon by the Landlord's or Tenant's Contractors. Landlord and Tenant shall be given 24 hours to respond without causing a Landlord or Tenant Delay unless otherwise specified in said Field Change Order. In the event the Field Change Order increases the cost of the Shell and Core or Tenant Work beyond the maximum Tenant Work Allowance, Tenant shall pay for the work per the terms of this Exhibit and the Lease. As for Tenant Work, Tenant shall pay its Contractor per the terms of the construction contract between the Tenant and its Contractor.

EXHIBIT G

OPTION SPACE PERFORMANCE CRITERION

Per Section 33 of the Lease, Tenant has the Option to Expand its Premises into the Building Three Option Space as defined in said Section 33.

This Exhibit establishes criterion under which Tenant's Building Three Option Space shall be reduced from a maximum of two full floors to one full floor.

Tenant's Building Three Option Space shall be reduced to one (1) full floor (either the first or second floor of Building Three at Landlord's sole discretion) if either one of the following two conditions exist:

1) If at August 1, 2000, Tenant does not have cash coverage or the ability to finance current operating expenses plus twelve (12) months of payments due under the Lease.

2) If by December 31, 2000, the number of full time employees working within the Premises is less than 240.

EXHIBIT H

FORM OF LETTER OF CREDIT

As provided in Section 6 of the Lease, an irrevocable, unconditional Letter of Credit (the "Letter of Credit") in the amount of $2,500,000 shall be delivered to Landlord within ten (10) days following the execution of the Lease. The Letter of Credit will be in form satisfactory to Landlord (see attached draft), will be a clean sight draft in the required amount in favor of "401 Elliott West LLC", irrevocable and expiring no less than sixty (60) days after the Lease expiration date, will be issued by a bank approved by Landlord and will be unconditionally available to Landlord by Landlord's drafts, at sight.

The Letter of Credit can be an annually renewable Letter of Credit provided that if the term of Letter of Credit is not extended for at least one year or a replacement Letter of Credit from a new financial institution, both acceptable to Landlord, is not issued at least thirty (30) days prior to any expiry date, then Landlord shall have authority to draw down this Letter of Credit and use the proceeds as the security deposit per Section 6 of the Lease in lieu of a Letter of Credit.

The Letter of Credit shall be reduced per the following schedule and conditions:

1) Upon commencement of the sixty-first (61st) month of the lease, the Letter of Credit shall be reduced to $1,500,000 if all the following conditions exist as of the commencement of the sixty-first (61st) month.

a) Tenant is not then in default under the terms of the lease and Tenant has cured all previous defaults, if any, with the Letter of Credit having been restored to its full amount required previous to this reduction.

b) Tenant is not then in default under any of its Corporate Banking Loans or Lines of Credit requirements.

c) Tenant's total market cap as determined by the price of its common stock traded on the NASDAQ or other similar public market is greater than $100,000,000.

d) Tenant has experienced four consecutive quarters of positive earnings during the preceding twelve (12) months, as reported in its annual or quarterly reports to Shareholders.

2) Upon the early termination of the Lease, only per terms of Section 35 of the Lease, Right to Terminate, the Letter of Credit shall be extinguished and returned to Tenant, less any Rent, Additional Rent or Other Sums due under the Lease.

3) Upon commencement of the ninety-seventh (97th) month of the Lease, the Letter of Credit shall be reduced to $1,000,000 if all the following conditions exist as of the commencement of the ninety-seventh (97th) month.

a) Tenant is not then in default under the terms of the lease and Tenant has cured all previous defaults, if any, with the Letter of Credit having been restored to its full amount required previous to this reduction.

b) Tenant is not then in default under any of its Corporate Banking Loans or Lines of Credit requirements.

c) Tenant's total market cap as determined by the price of its common stock traded on the NASDAQ or other similar public market is greater than $100,000,000.

d) Tenant has experienced four consecutive quarters of positive earnings during the preceding twelve (12) months, as reported in its annual or quarterly reports to Shareholders.

4) Upon expiration of the initial lease term or the commencement of the first renewal term under this Lease, the Letter of Credit shall be extinguished and returned to Tenant, less any Rent, Additional Rent or Other Sums due under the Lease.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated September 2, 1999 relating to the financial statements and financial statement schedule of F5 Networks, Inc., which appear in such Registration Statement. We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Seattle, Washington
September 8, 1999

ARTICLE 5

PERIOD TYPE	9 MOS
FISCAL YEAR END	SEP 30 1999
PERIOD START	OCT 01 1998
PERIOD END	JUN 30 1999
CASH	26,948
SECURITIES	0
RECEIVABLES	6,684
ALLOWANCES	(826)
INVENTORY	710
CURRENT ASSETS	34,355
PP&E	2,523
DEPRECIATION	(598)
TOTAL ASSETS	36,486
CURRENT LIABILITIES	7,581
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	45,751
OTHER SE	(16,846)
TOTAL LIABILITY AND EQUITY	36,486
SALES	14,062
TOTAL REVENUES	14,062
CGS	4,061
TOTAL COSTS	16,865
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	(186)
INCOME PRETAX	(6,678)
INCOME TAX	0
INCOME CONTINUING	(6,678)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(6,678)
EPS BASIC	(0.88)
EPS DILUTED	(0.88)