

Limelight Networks, Inc.  
Form DEF 14A  
April 24, 2013  
**Table of Contents**

## **SCHEDULE 14A INFORMATION**

### **PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

<input type="checkbox"/>	Preliminary Proxy Statement	<input type="checkbox"/>	<b>Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))</b>
<input type="checkbox"/>	Definitive Proxy Statement		
<input type="checkbox"/>	Definitive Additional Materials		
<input type="checkbox"/>	Soliciting Material Pursuant to § 240.14a-12		

**LIMELIGHT NETWORKS, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

☐ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

## Edgar Filing: Limelight Networks, Inc. - Form DEF 14A

- (2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
- (4) Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
- (5) Total fee paid:
  
  
  
  
  
  
  
  
  
  
- .. Fee paid previously with preliminary materials.
  
  
  
  
  
  
  
  
  
  
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  
  
  
  
  
  
  
  
  
  
- (1) Amount Previously Paid:
  
  
  
  
  
  
  
  
  
  
- (2) Form, Schedule or Registration Statement No.:
  
  
  
  
  
  
  
  
  
  
- (3) Filing Party:
  
  
  
  
  
  
  
  
  
  
- (4) Date Filed:

**Table of Contents**

**Notice of 2013 Annual Meeting of Stockholders and Proxy Statement**

**Meeting Date: Thursday, June 6, 2013**

**Time: 9:00 a.m. local time**

**Meeting Location:      Limelight Networks Global Headquarters  
222 South Mill Avenue, 8th Floor  
Tempe, Arizona 85281**

**Table of Contents**

Limelight Networks, Inc.

222 South Mill Avenue, 8th Floor

Tempe, Arizona 85281

To Our Stockholders:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders of Limelight Networks, Inc. The Annual Meeting will be held on Thursday, June 6, 2013, at 9:00 a.m. local time, at the Limelight Networks Global Headquarters, located at 222 South Mill Avenue, 8th Floor, Tempe, Arizona 85281.

The expected actions to be taken at the Annual Meeting are described in the attached Proxy Statement and Notice of Annual Meeting of Stockholders. Included with the Proxy Statement is a copy of our Annual Report for the fiscal year ended December 31, 2012. We encourage you to read the Annual Report. It includes our audited financial statements and information about our operations, markets and services.

Stockholders of record as of April 12, 2013 may vote at the Annual Meeting.

We are pleased to inform you that this year we will be taking advantage of the Notice and Access method of providing proxy materials via the Internet. On or about Wednesday, April 24, 2013, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and Annual Report for the fiscal year ended December 31, 2012 and how to vote. This notice also contains instructions on how to receive a paper or e-mail copy of the proxy materials. We believe that this method will expedite your receipt of proxy materials, help conserve natural resources and reduce our printing and mailing costs.

Your vote is important. Whether or not you plan to attend the meeting, please promptly vote and submit your proxy by signing, dating and returning the accompanying proxy card in the enclosed postage-paid envelope. Returning the proxy card will ensure your representation at the meeting but does NOT deprive you of your right to attend the meeting and to vote your shares in person. The Proxy Statement explains more about the proxy voting. Please read it carefully. We look forward to seeing you at the Annual Meeting.

Sincerely,

Walter D. Amaral

*Non-Executive Chairman of the Board*

**Table of Contents**

**NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS**

Date: Thursday, June 6, 2013  
Time: 9:00 a.m. local time  
Place: Limelight Networks Global Headquarters  
222 South Mill Avenue, 8th Floor  
Tempe, Arizona 85281  
Matters to be voted on:

1. Election of Jeffrey T. Fisher, David C. Peterschmidt, and Robert A. Lento as Class III directors.
2. Ratification of Ernst & Young LLP as independent registered public accounting firm.
3. Approval of the Company's 2013 Employee Stock Purchase Plan ( ESPP ), a copy of which is attached as Appendix A to the accompanying Proxy Statement.

The Annual Meeting will also address such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on April 12, 2013 are entitled to notice of and to vote at the Annual Meeting. A Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and Annual Report for the fiscal year ended December 31, 2012 and how to vote will be mailed on or about April 24, 2013, to all stockholders entitled to vote at the meeting.

By order of the Board of Directors,

Philip C. Maynard  
*Senior Vice President, Chief Legal Officer and Secretary*  
April 23, 2013

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on Thursday, June 6, 2013. The Proxy Statement and the Annual Report to Stockholders are available at [www.proxyvote.com](http://www.proxyvote.com).**

**YOUR VOTE IS IMPORTANT.**

**ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED. FOR SPECIFIC INSTRUCTIONS ON VOTING, PLEASE REFER TO THE INSTRUCTIONS INCLUDED WITH THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS OR THE PROXY CARD OR VOTING INSTRUCTION CARD INCLUDED WITH THE PROXY MATERIALS.**

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Information Concerning Solicitation and Voting</u>	1
<u>General Information about the Meeting</u>	1
<u>Who May Vote</u>	1
<u>Voting Your Proxy</u>	1
<u>Matters to be Presented</u>	2
<u>Changing Your Vote</u>	2
<u>Cost of This Proxy Solicitation</u>	2
<u>How Votes are Counted</u>	2
<u>Abstentions and Broker Non-Votes</u>	2
<u>Our Voting Recommendations</u>	3
<u>Deadlines for Receipt of Stockholder Proposals</u>	3
<u>Proposal One: Election of Directors</u>	3
<u>Changes in Composition of the Board of Directors</u>	3
<u>Nominees</u>	4
<u>Vote Required</u>	4
<u>Information About the Directors and Nominees</u>	5
<u>Board of Directors Meetings and Committees</u>	8
<u>Board Independence</u>	8
<u>Committees of the Board of Directors</u>	8
<u>Audit Committee</u>	8
<u>Nominating and Governance Committee</u>	9
<u>Compensation Committee</u>	9
<u>Compensation Committee Interlocks and Insider Participation</u>	10
<u>Stockholder Recommendations and Nominations</u>	10
<u>Director Qualifications</u>	10
<u>Identification and Evaluation of Nominees for Directors</u>	11
<u>The Board's Role in Risk Oversight</u>	11
<u>Board's Leadership Structure</u>	11
<u>Board Diversity</u>	12
<u>Annual Meeting Attendance</u>	12
<u>Communicating with the Board of Directors</u>	12
<u>Code of Ethics and Business Conduct</u>	12
<u>Proposal Two: Ratification of Appointment of Independent Registered Public Accounting Firm</u>	12
<u>Vote Required</u>	13
<u>Audit Committee Report</u>	14
<u>Principal Accountant Fees and Services</u>	15
<u>Audit Committee Pre-Approval Policy</u>	15
<u>Security Ownership of Certain Beneficial Owners and Management</u>	15
<u>Compensation Committee Report</u>	18
<u>Compensation Discussion and Analysis</u>	19
<u>Compensation Philosophy and Objectives</u>	19
<u>Role and Authority of the Board of Directors and the Compensation Committee</u>	19
<u>Role of Executive Officers in Compensation Decisions</u>	21
<u>Role of Compensation Consultant</u>	21
<u>Components of Compensation</u>	22
<u>Employment Agreements, Severance and Change of Control Benefits</u>	29
<u>Executive Compensation and Other Matters</u>	38
<u>Executive Compensation Tables</u>	38
<u>Director Compensation</u>	43
<u>Pension Benefits</u>	46
<u>Nonqualified Deferred Compensation</u>	46
<u>Employee Benefit Plans</u>	47

## Edgar Filing: Limelight Networks, Inc. - Form DEF 14A

<u>401(k) Plan</u>	47
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	47
<u>Limitation on Liability and Indemnification Matters</u>	48
<u>Certain Relationships and Related Transactions</u>	49
<u>Proposal Three: Approval of 2013 Employee Stock Purchase Plan</u>	50
<u>Other Matters</u>	54
<u>Stockholders Sharing the Same Address</u>	54
<u>Appendix A</u>	A-1

**Table of Contents**

**LIMELIGHT NETWORKS, INC.**

**PROXY STATEMENT FOR 2013**

**ANNUAL MEETING OF STOCKHOLDERS**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

The enclosed Proxy is solicited on behalf of the Board of Directors, or Board, of Limelight Networks, Inc. ( Limelight or the Company ), for use at the Annual Meeting of Stockholders to be held on Thursday, June 6, 2013, at 9:00 a.m. local time (the Annual Meeting ), and at any postponement or adjournment thereof. The Annual Meeting will be held at the Limelight Networks Global Headquarters, located at 222 South Mill Avenue, 8th Floor, Tempe, Arizona 85281. The purposes of the Annual Meeting are set forth in the accompanying Notice of Annual Meeting of Stockholders.

As permitted by the rules adopted by the Securities and Exchange Commission, or SEC, we are making these proxy solicitation materials and the Annual Report for the fiscal year ended December 31, 2012, including the financial statements, available to our stockholders electronically via the Internet. A Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and Annual Report for the fiscal year ended December 31, 2012 and how to vote will be mailed on or about April 24, 2013, to all stockholders entitled to vote at the meeting. Our principal executive offices are located at 222 South Mill Avenue, 8th Floor, Tempe, Arizona 85281. Our telephone number is (602) 850-5000.

**GENERAL INFORMATION ABOUT THE MEETING**

**Who May Vote**

You may vote if our records show that you own shares of Limelight as of April 12, 2013. As of the close of business on March 31, 2013, we had a total of 96,138,872 shares of common stock issued and outstanding, which were held of record by approximately 348 stockholders. As of March 31, 2013, we had no shares of preferred stock outstanding. You are entitled to one vote for each share that you own.

**Voting Your Proxy**

If a broker, bank or other nominee holds your shares, you will receive instructions from them that you must follow in order to have your shares voted. If a bank, broker or other nominee holds your shares and you wish to attend the meeting and vote in person, you must obtain a legal proxy from the record holder of the shares giving you the right to vote the shares.

If you hold your shares in your own name as a holder of record, you may instruct the proxy holders how to vote your common stock in one of the following ways:

**Vote by Internet.** You may vote via the Internet by following the instructions provided in the Notice or, if you received printed materials, on your proxy card. The website for Internet voting is [www.proxyvote.com](http://www.proxyvote.com) and is also printed on the Notice and on your proxy card. Internet voting is available 24 hours per day until 11:59 p.m., Eastern Time, on June 5, 2013. When you access the website, please have your Notice or proxy card in hand. You will be required to enter the unique control number imprinted on your Notice or proxy card in order to vote online. You will receive a series of instructions that will allow you to vote your shares of common stock. You will also be given the opportunity to confirm that your instructions have been properly recorded. IF YOU VOTE VIA THE INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.

**Vote by Telephone.** If you received printed copies of the proxy materials, you also have the option to vote by telephone by calling the toll-free number listed on your proxy card. Telephone voting is



## **Table of Contents**

available 24 hours per day until 11:59 p.m., Eastern Time, on June 5, 2013. When you call, please have your proxy card in hand. You will receive a series of voice instructions that will allow you to vote your shares of common stock. You will also be given the opportunity to confirm that your instructions have been properly recorded. If you did not receive printed materials and would like to vote by telephone, you must request printed copies of the proxy materials by following the instructions on your Notice. IF YOU VOTE BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.

**Vote by Mail.** If you received printed materials and would like to vote by mail, then please mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided with your printed materials. If you did not receive printed materials and would like to vote by mail, you must request printed copies of the proxy materials by following the instructions on your Notice.

Of course, you may also choose to attend the meeting and vote your shares in person. The proxy holders will vote your shares in accordance with your instructions on the proxy card. If you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board.

## **Matters to be Presented**

We are not aware of any matters to be presented other than those described in this Proxy Statement. If any matters not described in the Proxy Statement are properly presented at the meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the meeting is adjourned, the proxy holders can vote your shares on the new meeting date as well, unless you have revoked your proxy instructions.

## **Changing Your Vote**

To revoke your proxy instructions if you are a holder of record, you must (i) advise our Corporate Secretary in writing before the proxy holders vote your shares, (ii) deliver later proxy instructions, or (iii) attend the meeting and vote your shares in person. If your shares are held by a bank, broker or other nominee, you must follow the instructions provided by the bank, broker or nominee.

## **Cost of This Proxy Solicitation**

We will pay the cost of this proxy solicitation. We may, on request, reimburse brokerage firms and other nominees for their expenses in forwarding proxy materials to beneficial owners. In addition to soliciting proxies by mail, we expect that our directors, officers and employees may solicit proxies in person or by telephone or facsimile. None of these individuals will receive any additional or special compensation for doing this, although we will reimburse these individuals for their reasonable out-of-pocket expenses.

## **How Votes are Counted**

The Annual Meeting will be held if a majority of the outstanding common stock entitled to vote is represented at the meeting. If you have returned valid proxy instructions or attend the meeting in person, your common stock will be counted for the purpose of determining whether there is a quorum, even if you wish to abstain from voting on some or all matters at the meeting.

## **Abstentions and Broker Non-Votes**

Shares that are voted **WITHHELD** or **ABSTAIN** are treated as being present for purposes of determining the presence of a quorum and as entitled to vote on a particular subject matter at the Annual Meeting. If you hold your common stock through a bank, broker or other nominee, the broker may be prevented from voting shares held in your account on some proposals (a **broker non-vote**) unless you have given voting instructions to the bank, broker or nominee. Shares that are subject to a broker non-vote are counted for purposes of determining whether a quorum exists but not for purposes of determining whether a proposal has passed.

## **Table of Contents**

### **Our Voting Recommendations**

When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. However, if no specific instructions are given, the shares will be voted in accordance with the following recommendations of our Board:

FOR the election of Jeffrey T. Fisher, David C. Peterschmidt, and Robert A. Lento to the Board as Class III Directors; and

FOR ratification of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2013.

FOR approval of the Company's 2013 Employee Stock Purchase Plan ( ESPP ), a copy of which is attached as Appendix A to the accompanying Proxy Statement.

### **Deadlines for Receipt of Stockholder Proposals**

Stockholders may present proposals for action at a future meeting only if they comply with the requirements of the proxy rules established by the SEC and our bylaws. Stockholder proposals that are intended to be included in our Proxy Statement and form of Proxy relating to the meeting for our 2014 Annual Meeting of Stockholders under rules set forth in the Securities Exchange Act of 1934, as amended, or the Securities Exchange Act, must be received by us no later than December 24, 2013 to be considered for inclusion.

If a stockholder intends to submit a proposal or nomination for director for our 2014 Annual Meeting of Stockholders that is not to be included in Limelight's Proxy Statement and form of Proxy relating to the meeting, the stockholder must give us notice in accordance with the requirements set forth in Limelight's bylaws no later than December 24, 2013. Limelight's bylaws require that certain information and acknowledgments with respect to the proposal and the stockholder making the proposal be set forth in the notice. A copy of the relevant bylaw provision is available upon written request to Limelight Networks, Inc., 222 South Mill Avenue, 8th Floor, Tempe, Arizona 85281, Attention: Corporate Secretary. You can also access our SEC filings, including our Annual Report on Form 10-K, on the SEC's website located at [www.sec.gov](http://www.sec.gov) and through our website at <http://investors.limelightnetworks.com>.

### **PROPOSAL ONE: ELECTION OF DIRECTORS**

We have a classified Board. Our Board currently consists of three Class I directors, three Class II directors, and three Class III directors. At each annual meeting of stockholders, directors are elected for a term of three (3) years to succeed those directors whose terms expire on the annual meeting dates or until their respective successors are duly elected and qualified.

### **Changes in Composition of the Board of Directors**

The Board is presently composed of nine members, six of whom are independent directors. Subsequent to the end of fiscal 2012, Jeffrey W. Lunsford tendered his resignation as Board member and Chairman of the Board. Concurrent with this resignation, the Board appointed Robert A. Lento to fill the vacancy created by Mr. Lunsford's resignation and to serve until his successor is elected and qualified or until his earlier resignation or removal. Mr. Lento became a Class III Board member, with the initial term of Mr. Lento's appointment expiring at the Company's annual meeting in 2015. On February 13, 2013, the Board appointed current Class I Board member, Walter D. Amaral, to serve as the Company's non-executive Chairman of the Board. On April 9, 2013, Nathan F. Raciborski informed the Board of his intent not to stand for re-election as a Class III director of the Company at the Annual Meeting. Mr. Raciborski's decision to not stand for re-election as a Class III director of the Company at the Annual Meeting would result in a Board consisting of eight members, and the eight members of the Board would consist of three Class I directors, three Class II directors, and two Class III

## **Table of Contents**

directors. In order to present the recently appointed Mr. Lento for election by the stockholders at the earliest opportunity, on April 9, 2013, Mr. Lento resigned from his position as a Class II director of the Company (term expires 2015) and agreed to accept an appointment as a Class III director of the Company, thereby making himself eligible to stand for election at the Annual Meeting.

### **Nominees**

The Corporate Governance and Nominating Committee of the Board selected, and the Board approved, Jeffrey T. Fisher, David C. Peterschmidt and Robert A. Lento as nominees for election to Class III of the Board at the Annual Meeting. Each of the nominees is now a director and was previously elected by the stockholders at the 2010 annual meeting, except Mr. Lento, who was appointed by the Board in January 2013 to serve as a director upon the recommendation of the Nominating and Governance Committee following a vacancy created by Mr. Lunsford's resignation. If elected, Messrs. Fisher, Peterschmidt and Lento will each serve as a director until our annual meeting in 2016, until their respective successors are elected and qualified or their earlier resignation or removal.

Unless otherwise instructed, the proxy holders will vote the proxies received by them **FOR** Messrs. Fisher, Peterschmidt and Lento. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for another nominee designated by the Board. We are not aware of any reason that any nominee would be unable or unwilling to serve as a director.

### **Vote Required**

If a quorum is present, the nominees receiving the highest number of votes will be elected to the Board. Abstentions and broker non-votes will have no effect on the election of directors.

Effective as of the first meeting of stockholders at which directors will be elected following the 2013 Annual Meeting, each director in an uncontested election will be elected by the vote of the majority of the votes cast with respect to the nominee. For these purposes, a majority of the votes cast means that the number of shares voted **for** a director must exceed the number of votes cast **against** that director. In a contested election, directors will be elected under a plurality standard.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE **FOR** THE ELECTION OF  
JEFFREY T. FISHER, DAVID C. PETERSCHMIDT AND**

**ROBERT A. LENTO TO THE BOARD OF DIRECTORS.**

**Table of Contents****Information About the Directors and Nominees**

The following table sets forth information regarding our directors and the nominees as of March 31, 2013. Below the table appears a brief account of each director's business experience and the attributes that led to the conclusion that each director should serve as a director of Limelight. We believe that each director and nominee has valuable individual skills and experiences that, taken together, provide us with the variety and depth of knowledge and judgment necessary to provide effective oversight of our business.

Name	Age	Position	Director Since
<i>Class I directors whose terms expire at the 2014 Annual Meeting:</i>			
Walter D. Amaral	61	Non-Executive Chairman of the Board	2007
Thomas Falk	33	Director	2010
Peter J. Perrone	45	Director	2006
<i>Class II directors whose terms expire at the 2015 Annual Meeting:</i>			
Joseph H. Gleberman	55	Director	2006
Fredric W. Harman	52	Director	2006
<i>Class III directors whose terms expire at the 2013 Annual Meeting:</i>			
Jeffrey T. Fisher	50	Director	2008
David C. Peterschmidt	63	Director	2007
Robert A. Lento	52	Director	2013

**Walter D. Amaral** has served as a director since May 2007 and was appointed Non-Executive Chairman of our Board in February 2013. Mr. Amaral served as Senior Vice President and Chief Financial Officer of SiRF Technology Holdings, Inc., a provider of GPS enabled technology, from August 2000 to March 2006. Prior to that, from August 1997 to August 2000, Mr. Amaral served as Senior Vice President and Chief Financial Officer of S3 Incorporated. From April 1995 to August 1997, Mr. Amaral served as Senior Vice President and Chief Financial Officer of NetManage, Inc., a software company. From May 1992 to May 1995, Mr. Amaral served as Senior Vice President and Chief Financial Officer of Maxtor Corporation, a computer storage device company. From May 1977 to May 1992, Mr. Amaral worked in several finance and marketing positions, the most recent of which was Corporate Controller, at Intel Corporation. Mr. Amaral holds a B.S. in Accounting from California State University, San Jose.

Mr. Amaral serves as the Chairman of our Board and Audit Committee and brings to the Board and the Audit Committee a valuable perspective based on his extensive financial and business leadership experience in the technology and software industries, having served as Senior Vice President and Chief Financial Officer of each of SiRF Technology Holdings, Inc., S3 Incorporated, NetManage, Inc. and Maxtor Corporation. In addition, Mr. Amaral has an educational background in accounting. As a result of these and other professional experiences, Mr. Amaral possesses particular knowledge and experience in software and other technology industries and has relevant accounting and financial expertise and independence that strengthens the Board's collective qualifications, skills, and experience.

**Thomas Falk** has served as a director of Limelight since April 2010. Prior to that, Mr. Falk was a director of EyeWonder, Inc., which was acquired by Limelight in April 2010, from September 2009 to April 2010. Mr. Falk has been a principal of Falk Ventures GmbH (formerly VEST Europe GmbH) since October 2007. Mr. Falk has been the Chief Executive Officer of eValue AG, a venture firm focused on Internet technology start-up companies focused on new and digital media, since March 2007. eValue supports companies with funding, technology know-how, human resources, public relations, financial management and intensive merger and acquisition advice and assistance. In 2008, Mr. Falk helped to found the German online video network smartclip

## **Table of Contents**

AG, which now is owned by adconion media group, Ltd. (formerly smartclip Holdings AG), and operates in other European countries and in the U.S. Mr. Falk also is the founding investor of United Mail Solutions, a European email marketing solutions provider, which was sold to Experian, plc. While pursuing his university degree, he founded Falk eSolutions AG in 1998, which became a pan-European provider of ASP online ad-serving solutions. After expanding Falk eSolutions into the U.S., Falk eSolutions was purchased by DoubleClick in 2006. Mr. Falk served as DoubleClick's managing director for Europe until Google's acquisition of DoubleClick in 2007.

We believe that Mr. Falk's international business experience in European Internet and email marketing companies provides a valuable resource for the Board. His experience includes organizations of different sizes, and he has served in founder, executive management and development roles. Mr. Falk, as Chief Executive Officer of eValue, has invested in, and assisted in the initial phase of, a number of Internet technology start-up companies. Mr. Falk's business experience and insights into the economic conditions in Europe contributes to the Board's consideration of strategic options and increases the depth of its international experience. As a result of these and other professional experiences, Mr. Falk possesses particular knowledge and experience that strengthens the Board's collective qualifications, skills, and experience.

**Jeffrey T. Fisher** has served as a director since November 2008. Mr. Fisher has served as Chief Financial Officer and Director of Austin Industries, Inc., a private, employee owned, subchapter-S ESOP organization since March 2009. Prior to that, Mr. Fisher served as Executive Vice President and Chief Financial Officer of Charter Communications from 2006 to 2008. Prior to joining Charter, Mr. Fisher held a variety of senior management positions for Delta Air Lines, Inc. from 1997 to 2006. He served as head of Delta's Corporate Restructuring Group, and previously held the positions of President and General Manager, and separately, Chief Financial Officer, for Delta Connection, Inc. Mr. Fisher received a B.B.M. degree from Embry Riddle University, and an M.B.A. from the University of Texas in Arlington.

Mr. Fisher's financial and business leadership experience as the Chief Financial Officer for Austin Industries and as the Executive Vice President and Chief Financial Officer of Charter Communications, Inc. provides a strong financial foundation for Audit Committee and Board deliberations. He also has an educational background in finance. As a result of these and other professional experiences, Mr. Fisher possesses particular knowledge and experience in technology industries and has relevant accounting and financial expertise and independence that strengthen the Board's collective qualifications, skills, and experience.

**Joseph H. Gleberman** has served as a director since September 2006. Mr. Gleberman is an Advisory Director in Goldman, Sachs & Co.'s Principal Investment Area. Prior to joining the Principal Investment Area, he served in a variety of capacities in the Investment Banking Division and the Mergers & Acquisitions Department at Goldman, Sachs & Co., which he joined in 1982. Mr. Gleberman also serves on the board of directors of HGI Global Holdings, Inc., iFormation Group, LLC, iHealth Technologies, Inc. and Kerzner International. Mr. Gleberman received a B.A. and an M.A. from Yale University, and an M.B.A. from Stanford University.

Mr. Gleberman has extensive experience in evaluating and providing guidance and strategic advice to technology and software companies as a Advisory Director in Goldman, Sachs & Co.'s Principal Investment Area and through his service in a variety of capacities in the Investment Banking Division and the Mergers & Acquisitions Department at Goldman, Sachs & Co. His investment banking background has added a valuable perspective to the Board. Mr. Gleberman is also an independent director who has extensive outside director experience as a director of HGI Global Holdings, Inc., iFormation Group, LLC, iHealth Technologies, Inc. and Kerzner International. As a result of these and other professional experiences, Mr. Gleberman possesses particular knowledge and experience in corporate finance, investment banking and mergers and acquisitions that strengthens the Board's collective qualifications, skills, and experience.

**Fredric W. Harman** has served as a director since September 2006. Mr. Harman has served as a Managing Partner of Oak Investment Partners since 1994. From 1991 to 1994, Mr. Harman served as a General Partner of

## **Table of Contents**

Morgan Stanley Venture Capital. Mr. Harman currently serves as a director of U.S. Auto Parts, an online provider of aftermarket auto parts, Demand Media, Inc., an Internet news Media company, and several privately held companies. Mr. Harman received a B.S. and an M.S. in Electrical Engineering from Stanford University, where he was a Hughes Fellow, and an M.B.A. from the Harvard Graduate School of Business.

Mr. Harman's experience in investment banking as a Managing Partner of Oak Investment Partners and as a General Partner of Morgan Stanley Venture Capital is a valuable resource to the Board as it considers strategic options. Mr. Harman is also an independent director and an experienced board member of technology and Internet companies, serving as an outside director of U.S. Auto Parts, Demand Media, Inc. and several privately held companies. As a result of these and other professional experiences, Mr. Harman possesses particular knowledge and experience in electrical engineering, technology and Internet based companies and corporate finance that strengthens the Board's collective qualifications, skills, and experience.

**Robert A. Lento** has served as our Chief Executive Officer since November 2012 and has served as a member of our board of directors since January 2013. Prior to joining us, Mr. Lento was a senior sales executive at Convergys Corporation, a provider of customer management services, from July 1998 to May 2012, most recently serving as President Information Management Division from September 2007 to May 2012. Prior to that, from 1997 to 1998, Mr. Lento served as President of LAN Systems for Donnelly Enterprise Solutions, Inc., a provider of information management solutions. From 1989 to 1996, Mr. Lento served in leadership positions at ENTEX Information Services, Inc., a provider of computing infrastructure services. Mr. Lento received a B.S. in Management from the State University of New York.

As our President and Chief Executive Officer, Mr. Lento is engaged in all aspects of our business and is able to provide an insider's perspective in Board discussions about the business and strategic direction of the Company. Mr. Lento brings over thirty years of leadership experience to the Company, which we believe gives him unique insights into our challenges, opportunities, and operations. He possesses leadership, managerial and technical skills relevant to leading the Company, knowledge of the Company's leading customers, and knowledge of cloud services and SaaS companies generally, which skills and knowledge are directly relevant to strengthening the Board's collective qualifications, skills, and experience. His business leadership experience at Convergys, serving as president of the company's information management division, and as president of LAN systems for Donnelly Enterprise Solutions is also a valuable resource to the Board as it guides the Company's business strategy.

**Peter J. Perrone** has served as a director since July 2006. Mr. Perrone was a Vice President in Goldman, Sachs & Co.'s Principal Investment Area since 2002 and became a Managing Director in 2007. Prior to transferring to the Principal Investment Area in 2001, Mr. Perrone worked in the High Technology Group at Goldman, Sachs & Co., where he started as an Associate in 1999. Mr. Perrone also currently serves on the board of directors of AppSense Holdings, Limited, Conterra Ultra Broadband, Inc., and Endurance International Group, Inc. Mr. Perrone received a B.S. from Duke University, an M.S. from the Georgia Institute of Technology and an M.B.A. from the Massachusetts Institute of Technology, Sloan School of Management.

Mr. Perrone provides a valuable perspective to the Board based on his experience evaluating and providing guidance and strategic advice to technology and software companies as a Managing Director of Goldman, Sachs & Co.'s Principal Investment Area and his work in the High Technology Group at Goldman, Sachs & Co. Mr. Perrone also is an independent director who has extensive outside director experience as a director of AppSense Holdings, Limited, Conterra Ultra Broadband, Inc., and Endurance International Group, Inc. As a result of these and other professional experiences, Mr. Perrone possesses particular knowledge and experience in telecommunications and Internet-based businesses, investment banking and corporate finance that strengthens the Board's collective qualifications, skills, and experience.

**David C. Peterschmidt** has served as a director since February 2007. Mr. Peterschmidt is also the Chief Executive Officer and serves on the board of directors of CIBER, Inc., a global information technology consulting services and outsourcing company. Prior to joining CIBER, Inc. Mr. Peterschmidt served as President

## **Table of Contents**

and Chief Executive Officer of Openwave Systems, Inc. from November 2004 to March 2007. Prior to that, Mr. Peterschmidt served as Chief Executive Officer and Chairman of Securify, Inc., from September 2003 to November 2004 and also as Chief Executive Officer and Chairman of Inktomi, Inc. from July 1996 to March 2003. Mr. Peterschmidt currently serves on the board of directors of Savvis Corporation and CIBER, Inc. Mr. Peterschmidt received a B.A. in Political Science from the University of Missouri and an M.A. from Chapman College.

Mr. Peterschmidt brings to our Board and Audit Committee significant business leadership experience and financial experience as the Chief Executive Officer of each of CIBER, Inc., Openwave Systems, Inc., Securify, Inc., and Inktomi, Inc. Mr. Peterschmidt also has outside director experience as a director of Savvis Corporation and CIBER, Inc. As a result of these and other professional experiences, Mr. Peterschmidt possesses particular knowledge and experience serving as and directing senior management personnel in technology-based companies, and also has relevant accounting and financial expertise and independence that strengthens the Board's collective qualifications, skills, and experience.

### **BOARD OF DIRECTORS MEETINGS AND COMMITTEES**

The Board held six meetings and acted by unanimous written consent three times during fiscal year 2012. All directors attended at least 75% of the meetings of the Board and of the committees on which they served during fiscal year 2012, except for Thomas Falk, who attended three of the six Board meetings.

#### **Board Independence**

The Board has determined that each of its current directors, except Thomas Falk, Nathan F. Raciborski and Robert A. Lento, has no material relationship with Limelight and is independent within the meaning of the NASDAQ Stock Market, Inc. director independence standards, as currently in effect.

#### **Committees of the Board of Directors**

The Board has Audit, Nominating and Governance, and Compensation Committees. Each of these committees has adopted a written charter. All members of the committees are appointed by the Board, and are non-employee directors. Each committee, its current membership, its function and the number of meetings held during fiscal year 2012 are described below.

#### **Audit Committee**

The members of our Audit Committee are Messrs. Amaral, Fisher and Peterschmidt. Mr. Amaral serves as the Chairman of the Audit Committee. We believe that the composition of our Audit Committee meets the requirements for independence under the current requirements of the NASDAQ Stock Market, Inc. and SEC rules and regulations, and that each member of our Audit Committee qualifies as an audit committee financial expert under applicable rules and regulations. We believe that the functioning of our Audit Committee complies with the applicable requirements of the NASDAQ Stock Market, Inc. and SEC rules and regulations. The Audit Committee held five meetings and acted by unanimous written consent four times during fiscal year 2012.

Our Audit Committee oversees our corporate accounting and financial reporting process. Our Audit Committee:

evaluates the independent registered public accounting firm's qualifications, independence and performance;

determines the engagement of the independent registered public accounting firm;

## **Table of Contents**

approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;

monitors the rotation of partners of the independent registered public accounting firm on our engagement team as required by law;

reviews our financial statements and reviews our critical accounting policies and estimates; and

reviews and discusses with management and the independent registered public accounting firm the results of the annual audit, and our annual audited and quarterly unaudited financial statements, including major issues regarding accounting, disclosure and auditing procedures and practices as well as the adequacy of internal controls that could materially affect the Company's financial statements.

A copy of the Audit Committee charter is available on our website at <http://investors.limelightnetworks.com>.

## **Nominating and Governance Committee**

The members of our Nominating and Governance Committee are Messrs. Amaral, Fisher, Gleberman, Harman, Perrone and Peterschmidt, each of whom is a non-management member of our Board. Our Board has determined that each of these members is independent within the meaning of the independent director guidelines of the NASDAQ Stock Market, Inc. The Nominating and Governance Committee held three meetings and acted by unanimous written consent one time during fiscal year 2012.

The Nominating and Governance Committee's purpose is to oversee and assist our Board in reviewing and recommending nominees for election as directors. The Nominating and Governance Committee also:

assesses the performance of the Board;

reviews, and investigates as necessary, any concerns regarding non-financial matters reported on Limelight's corporate governance hotline;

directs guidelines for the composition of our Board; and

reviews and administers our corporate governance guidelines.

A copy of the Nominating and Governance Committee charter is available on our website at <http://investors.limelightnetworks.com>.

## **Compensation Committee**

The members of our Compensation Committee are Messrs. Perrone, Peterschmidt and Amaral. Mr. Perrone serves as the Chairman of the Compensation Committee. Our Board has determined that each of these members is independent within the meaning of the independent director guidelines of the NASDAQ Stock Market, Inc. We believe that the composition of our Compensation Committee meets the requirements for independence under, and the functioning of our Compensation Committee complies with, any applicable requirements of the NASDAQ Stock Market, Inc. and SEC rules and regulations. The Compensation Committee held nine meetings and acted by unanimous written consent on nine occasions during fiscal year 2012.

Our Compensation Committee oversees our corporate compensation programs. The Compensation Committee also:

reviews and recommends policy relating to compensation and benefits of our officers and employees;



reviews and approves corporate goals and objectives relevant to compensation of the Chief Executive Officer, senior officers and certain other key employees;

evaluates the performance of our officers in light of established goals and objectives;

## **Table of Contents**

sets compensation of our officers based on its evaluations;

administers the issuance of stock options and other awards under our stock plans;

reviews and approves a report on executive compensation and a compensation discussion and analysis for inclusion in Limelight's proxy or information statement; and

reviews and evaluates, at least annually, its own performance and that of its members, including compliance with the committee charter.

A copy of the updated Compensation Committee charter is available on our website at <http://investors.limelightnetworks.com>.

### **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee has at any time been an officer or employee of Limelight. No executive officer of Limelight serves, or in the past year has served, as a member of the Board or Compensation Committee of any entity that has an executive officer serving as a member of our Board or Compensation Committee.

### **Stockholder Recommendations and Nominations**

Pursuant to the requirements of its charter, the Nominating and Governance Committee will review any director candidates recommended by our stockholders who are entitled to vote in the election of directors, provided that the stockholder recommendations are timely submitted in writing to our Secretary, along with all required information, in compliance with the stockholder nomination provisions of our bylaws. A stockholder desiring to recommend a candidate for election to the Board should direct the recommendation in writing to:

Corporate Secretary

Limelight Networks, Inc.

222 South Mill Avenue, 8th Floor

Tempe, Arizona 85281

A submitted recommendation must include the candidate's name, home and business contact information, detailed biographical data and qualifications and information regarding any relationships between the candidate and Limelight within the last three years. Any candidates properly recommended in accordance with the foregoing requirements by stockholders will be considered in such manner as the members of our Nominating and Governance Committee deem appropriate.

A stockholder desiring to nominate a person directly for election to the Board must meet the deadlines and other requirements set forth in our bylaws and the rules and regulations of the SEC. In general, these deadlines and requirements are described above under "Deadlines for Receipt of Stockholder Proposals" in this Proxy Statement.

### **Director Qualifications**

We have no stated minimum criteria for director nominees. The Nominating and Governance Committee does, however, seek for nomination and appointment candidates with excellent decision-making ability, business experience, relevant expertise, personal integrity and reputation. This committee may also consider other factors such as diversity, experience, length of service and other commitments. This committee believes it is appropriate that at least one member of the Board meet the criteria for an audit committee financial expert as defined by the rules of the SEC, and that a majority of the members of the Board meet the independent director standard under rules of the NASDAQ Stock Market, Inc. This committee also believes it may be appropriate for certain



---

## **Table of Contents**

members of our management, in particular the Chief Executive Officer, to participate as a member of the Board. Please see [Information About the Directors and Nominees](#) above for a discussion of the particular experience, qualifications, attributes or skills relative to each member of the Board that led the Board to conclude that each particular director should serve on Limelight's Board.

### **Identification and Evaluation of Nominees for Directors**

The Nominating and Governance Committee identifies nominees for the class of directors being elected at each annual meeting of stockholders by first evaluating the current members of such class of directors willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of such class of directors does not wish to continue in service or if this committee or the Board decides not to re-nominate a member of such class of directors for re-election, this committee identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of this committee and the Board are polled for suggestions as to individuals meeting the criteria for nomination. Research may also be performed to identify qualified individuals. This committee may, in its discretion, engage third party search firms to identify and assist in recruiting potential nominees to the Board. Candidates may also come to the attention of this committee through management, stockholders or other persons.

The Nominating and Governance Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person recommending the candidate, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the committee, the Board or management. The Nominating and Governance Committee does not implement a different evaluation process for candidates that are nominated for election to the Board by stockholders or other persons.

After such review and consideration, the Nominating and Governance Committee selects, or recommends that the Board select, the slate of director nominees.

### **The Board's Role in Risk Oversight**

It is our management's responsibility to manage risk and to bring to the Board's attention the most material risks to the Company. The Board has oversight responsibility of the processes established to report and monitor systems for material risks applicable to the Company. The Audit Committee regularly reviews treasury risks (insurance, credit, and debt), financial and accounting, legal and compliance risks, information technology security risks and other risk management functions. In addition, the Nominating and Governance Committee considers risks related to succession planning and oversees the appropriate allocation of responsibility for risk oversight among the committees of the Board. The Compensation Committee considers risks related to the attraction and retention of employees and risks relating to the design of compensation programs and arrangements. The Compensation Committee also reviews compensation and benefit plans affecting employees in addition to those applicable to executive officers. We have determined that it is not reasonably likely that Limelight's compensation and benefit plans would have a material adverse effect on the Company. The full Board considers strategic risks and opportunities and regularly receives reports from the committees of the Board regarding risk oversight in their areas of responsibility.

### **Board Leadership Structure**

The Board recognizes that effective board leadership structure can be dependent on the experience, skills and personal interaction between persons in leadership roles as well as the needs of Limelight at any point in time. Our Corporate Governance Guidelines support flexibility in the structure of the Board by not requiring the separation of the roles of Chairman of the Board and Chief Executive Officer. Prior to January 2013, the positions of Chairman of the Board and Chief Executive Officer were held by the same person. In February 2013,

## **Table of Contents**

following the tendered resignation of the Company's former Chairman and Chief Executive Officer, the Board appointed Walter D. Amaral as its non-executive Chairman of the Board. The Board believes that its current leadership structure, with Mr. Lento serving as President and Chief Executive Officer and Mr. Amaral serving as non-executive Chairman of the Board, is appropriate for the Company at this time. Furthermore, currently, six of the nine Board positions are held by very strong and sophisticated independent directors and investors with substantial business experience and expertise who collectively own a significant portion of the Company's outstanding shares. Three of the Board positions are occupied by representatives of institutional shareholders holding collectively approximately 37% of the Company's capital stock.

### **Board Diversity**

We do not have a policy as it relates to diversity in the selection of nominees for the Board. Our practice is to seek diversity in experience and viewpoint to be represented on the Board. In selecting a director nominee, the Nominating and Governance Committee focuses on skills, expertise or background that would complement the existing Board, recognizing that Limelight's businesses and operations are diverse and global in nature.

### **Annual Meeting Attendance**

We do not have a formal policy regarding attendance by members of our Board at our annual meetings of stockholders, but all directors are encouraged to attend these meetings.

### **Communicating with the Board of Directors**

Any stockholder who desires to contact any of the members of our Board may write to the following address: Board of Directors, c/o Corporate Secretary, Limelight Networks, Inc., 222 South Mill Avenue, 8th Floor, Tempe, Arizona 85281. Communications received in writing will be collected, organized and processed by our Secretary, who will distribute the communications to the members of the Board, as appropriate, depending on the facts and circumstances outlined in the communication received. Where the nature of the communication warrants, the Secretary may decide to obtain the more immediate attention of the appropriate committee of the Board or an independent director, or our management or independent advisors, as the Secretary considers appropriate.

### **Code of Ethics and Business Conduct**

The Company maintains a Code of Ethics and Business Conduct that is applicable to our Chief Executive Officer, Chief Financial Officer and all other principal executive and senior financial officers and all employees, officers and directors. The Code of Ethics and Business Conduct is posted on our website at <http://investors.limelightnetworks.com>.

## **PROPOSAL TWO: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors has selected Ernst & Young LLP to audit our consolidated financial statements for the fiscal year ending December 31, 2013. The decision of the Board of Directors to appoint Ernst & Young LLP was based on the recommendation of the Audit Committee. Before making its recommendation to the Board of Directors, the Audit Committee carefully considered that firm's qualifications as independent registered public accounting firm. This included a review of the qualifications of the engagement team, the quality control procedures the firm has established, and any issues raised by the most recent quality control review of the firm; as well as its reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee's review also included matters required to be considered under the SEC's Rules on Auditor Independence, including the nature and extent of non-audit services, to ensure that they will not impair the independence of the accountants. The Audit Committee expressed its satisfaction with Ernst & Young LLP in all of these respects.

## **Table of Contents**

Although ratification by stockholders is not required by law, the Board of Directors has determined that it is desirable to request ratification of this selection by the stockholders. Notwithstanding its selection, the Board of Directors, in its discretion, may appoint a new independent registered public accounting firm at any time during the year if the Board of Directors believes that such a change would be in the best interest of Limelight and its stockholders. If the stockholders do not ratify the appointment of Ernst & Young LLP, the Board of Directors may reconsider its selection.

Ernst & Young LLP has audited our consolidated financial statements since fiscal year 2006. The Board of Directors expects that representatives of Ernst & Young LLP will be present at the Annual Meeting to respond to appropriate questions and to make a statement if they so desire.

## **Vote Required**

If a quorum is present, the affirmative vote of a majority of the shares present and entitled to vote at the Annual Meeting will be required to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm. Abstentions will have the effect of a vote against the ratification of Ernst & Young LLP as our independent registered public accounting firm. Broker non-votes will have no effect on the outcome of the vote.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF ERNST & YOUNG LLP AS LIMELIGHT'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2013.**

---

**Table of Contents**

**AUDIT COMMITTEE REPORT**

*The following report of the Audit Committee of the Board of Directors shall not be deemed to be soliciting material or filed with the SEC or incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.*

The Audit Committee consists of three directors, each of whom, in the judgment of the Board of Directors, is an independent director as defined in the listing standards for The Nasdaq Stock Market. The Audit Committee acts pursuant to a written charter that has been adopted by the Board of Directors. The Audit Committee Charter is available on the Limelight website at <http://investors.limelightnetworks.com>.

On behalf of the Board of Directors, the Audit Committee oversees Limelight's financial reporting process and its internal controls over financial reporting, areas for which management has the primary responsibility. Ernst & Young LLP, our independent registered public accounting firm (Ernst & Young), is responsible for expressing an opinion as to the conformity of the consolidated financial statements with accounting principles generally accepted in the United States of America and for issuing its opinion on the effectiveness of Limelight's internal controls over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed with management and Ernst & Young our audited consolidated financial statements for the fiscal year ended December 31, 2012, matters relating to Limelight's internal controls over financial reporting and the processes that support the certifications of the financial statements by Limelight's Chief Executive Officer and Chief Financial Officer. The Audit Committee also discussed with Ernst & Young the scope and plan for the annual audit. In addition, the Audit Committee discussed with Ernst & Young the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380) as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. The Audit Committee also has received the written disclosures and the letter from Ernst & Young as required by Rule 3526 of the Public Company Accounting Oversight Board, *Communication with Audit Committees Concerning Independence* and the Audit Committee has discussed the independence of Ernst & Young with that firm.

Based on the Audit Committee's review of the matters noted above and its discussions with our independent registered public accounting firm and our management, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K and our Annual Report to our stockholders for the year ended December 31, 2012. The Audit Committee also selected Ernst & Young as Limelight's independent registered public accounting firm for the fiscal year ending December 31, 2013. The Board of Directors is recommending that the stockholders ratify this selection at the Annual Meeting.

Respectfully submitted by:

Walter D. Amaral, *Chairman*

Jeffrey T. Fisher

David C. Peterschmidt

## Table of Contents

### Principal Accountant Fees and Services

The following table presents the fees paid or accrued by Limelight for the audit and other services provided by Ernst & Young LLP for the years ended December 31, 2012 and 2011:

	2012	2011
Audit Fees (1)	\$ 840,000	\$ 1, 297,000
Tax Fees	157,000	263,700
Other (2)		10,600
Total Fees	\$ 997,000	\$ 1, 608,300

- (1) Includes fees associated with our annual audit and the reviews of our quarterly reports on Form 10-Q. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of our interim financial statements, and the assistance with review of our SEC filings, including consents and comment letters.
- (2) Other fees for 2011 include fees paid in connection with M&A due diligence.

### Audit Committee Pre-Approval Policy

Prior to the initiation of any audit related or non-audit related service, the Audit Committee is presented with a proposal for such service and an estimate of the fees for pre-approval. In the event the scope of the work requires change from the initial proposal, the modified proposal is presented to the Audit Committee for pre-approval. The requests for pre-approvals are presented to the Audit Committee at the time of the committee's regularly scheduled meetings, or on an as-needed basis. The Audit Committee has delegated to the Chair of the Audit Committee the authority to pre-approve audit related and non-audit related services to be performed by Limelight's independent registered public accounting firm and associated fees on an as-needed basis. Such pre-approvals are reported to the full Audit Committee at its next regularly scheduled meeting. Subsequent to our initial public offering, effective on June 7, 2007, the Audit Committee has pre-approved 100% of audit related and non-audit related services by Limelight's independent registered public accounting firm.

The Audit Committee has determined the rendering of other professional services for tax compliance and tax advice by Ernst & Young LLP is compatible with maintaining their independence.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth information about the beneficial ownership of our common stock on March 31, 2013, by:

each person known to us to be the beneficial owner of more than 5% of our common stock;

each executive officer;

each of our directors; and

all of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as indicated in the footnotes to this table and pursuant to state community property laws, we believe, based on the information furnished to us, that the persons named in the table have sole voting and investment power with respect to all shares reflected as beneficially owned by them. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of



## Edgar Filing: Limelight Networks, Inc. - Form DEF 14A

common stock that could be issued upon the exercise of outstanding options held by that person that are currently exercisable or exercisable within 60 days of March 31, 2013 and common stock issuable upon the

## Table of Contents

vesting of restricted stock units within 60 days of March 31, 2013, ignoring the withholding of shares of common stock to cover applicable taxes, are considered outstanding. These shares, however, are not considered outstanding when computing the percentage ownership of any other person. Percentage of ownership is based on 96,138,872 shares of our common stock outstanding on March 31, 2013. Beneficial ownership representing less than 1% is denoted with an asterisk (\*).

Unless otherwise indicated, the address for each of the stockholders in the table below is c/o Limelight Networks, Inc., 222 South Mill Avenue, 8th Floor, Tempe, Arizona 85281.

Beneficial Owner	Shares Beneficially Owned	
	Number	Percent
<b>5% Stockholders</b>		
GS Capital Partners Entities(1)	30,480,087	30.7%
Oak Investment Partners XII, L.P.(2)	6,240,015	6.3%
<b>Executive Officers and Directors</b>		
Jeffrey W. Lunsford(3)	3,612,320	1.8%
Nathan F. Raciborski(4)	4,667,814	3.8%
Douglas S. Lindroth(5)	866,240	*
David M. Hatfield(6)	730,222	*
Indu Kodukula(7)	29,687	*
Robert A. Lento(8)	350,000	*
Walter D. Amaral(9)	161,811	*
Thomas Falk(10)	30,266	*
Jeffrey T. Fisher(11)	180,553	*
Joseph H. Gleberman(12)	30,480,087	30.7%
Fredric W. Harman(13)	6,240,015	6.3%
Peter J. Perrone(14)	30,480,087	30.7%
David C. Peterschmidt(15)	145,314	*
All directors and executive officers as a group (16 persons)(16)	48,105,713	43.7%

- (1) Funds affiliated with or managed by Goldman, Sachs & Co. are GS Capital Partners V Fund, L.P. (15,940,283 shares of common stock), GS Capital Partners V Offshore Fund, L.P. (8,234,087 shares of common stock), GS Capital Partners V Institutional, L.P. (5,466,153 shares of common stock) and GS Capital Partners V GmbH & Co. KG (631,970 shares of common stock) (the "Goldman Sachs Funds"). Also includes 166,174 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013, as well as 29,932 shares acquired after vesting of restricted stock units, each of which that directors Perrone and Gleberman have assigned to Goldman, Sachs & Co. Voting and dispositive power for the shares held by GS Capital Partners V Fund, L.P. is held by its general partner GSCP V Advisors, L.L.C., which disclaims beneficial ownership of the shares held by GS Capital Partners V Fund, L.P. except to the extent of its pecuniary interest therein, if any. Voting and dispositive power for the shares held by GS Capital Partners V Offshore Fund, L.P. is held by its general partner GSCP V Offshore Advisors, L.L.C., which disclaims beneficial ownership of the shares held by GS Capital Partners V Offshore Fund, L.P. except to the extent of its pecuniary interest therein, if any. Voting and dispositive power for the shares held by GS Capital Partners V Institutional, L.P. is held by its general partner GS Advisors V., L.L.C., which disclaims beneficial ownership of the shares held by GS Capital Partners V Institutional, L.P. except to the extent of its pecuniary interest therein, if any. Voting and dispositive power for the shares held by GS Capital Partners V GmbH & CO. KG is held by its managing limited partner Goldman, Sachs Capital Management GP GmbH, which disclaims beneficial ownership of the shares held by GS Capital Partners V GmbH & CO. KG except to the extent of its pecuniary interest therein, if any. Goldman, Sachs & Co. is a wholly owned subsidiary of The Goldman Sachs Group, Inc. and was an underwriter of our initial public offering. Goldman, Sachs & Co. is an investment manager of GSCP V Advisors, L.L.C., GSCP V Offshore Advisors, L.L.C. and Goldman, Sachs Capital Management GP GmbH. The Goldman Sachs Group, Inc.,

## **Table of Contents**

and certain affiliates, including Goldman, Sachs & Co. and the Goldman Sachs Funds, may be deemed to directly or indirectly beneficially own an aggregate of 30,480,087 shares of common stock which are owned directly or indirectly by the Goldman Sachs Funds. The general partner, managing general partner or managing limited partner of the Goldman Sachs Funds are affiliates of the Goldman Sachs Group, Inc. and Goldman, Sachs & Co. The Goldman Sachs Group, Inc., Goldman, Sachs & Co. and the Goldman Sachs Funds and their general partner, managing general partner or managing limited partner share voting and investment power with certain of their respective affiliates. The Goldman Sachs Group, Inc. and Goldman, Sachs & Co. each disclaim beneficial ownership of the shares held by the Goldman Sachs Funds, except to the extent of its pecuniary interest therein, if any. The address of each of the GS Capital Partners entities is c/o Goldman, Sachs & Co., 200 West Street, New York, NY 10282, Attn: Jeremy Kahn, Attorney-in-fact. This information is based on a Schedule 13G/A filed with the SEC on February 28, 2013 on behalf of The Goldman Sachs Group, Inc. and the GS Capital Partners.

- (2) The names of the parties who share power to vote and share power to dispose of the shares held by Oak Investment Partners XII, L.P. are Oak Management Corporation, Fredric W. Harman, Bandel L. Carano, Gerald R. Gallagher, Ann H. Lamont, Edward F. Glassmeyer, Grace A. Ames, Iftikar A. Ahmed, and Warren B. Riley all of whom are managing members of Oak Associates XII, LLC, the General Partner of Oak Investment Partners XII, L.P. Each such individual disclaims beneficial ownership of the securities held by such partnership in which such individual does not have a pecuniary interest. Oak Management Corporation is the manager of Oak Investment Partners XII, L.P. The address of Oak Investment Partners XII, L.P. is 525 University Avenue, Suite 1300, Palo Alto, CA 94301, Attn: Frederic W. Harman. This information is based on a Schedule 13G/A filed with the SEC on February 22, 2013 on behalf of Oak Management Corporation and also includes 106,174 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013 that Mr. Harman has assigned to Oak.
- (3) Includes 1,762,335 shares of common stock held by Jeffrey W. Lunsford on January 22, 2013. Also includes 1,849,985 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013.
- (4) Includes 2,545,722 shares of common stock held by Nathan F. Raciborski, 1,075,432 shares of common stock held by the Raciborski Children's Irrevocable Trust dated October 16, 2009 (the Raciborski Children's Trust), and 1,046,660 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013. Nathan F. Raciborski is a trustee of the Raciborski Children's Trust and holds voting and dispositive power for the shares held by the Raciborski Children's Trust.
- (5) Includes 402,287 shares of common stock held by Douglas S. Lindroth. Also includes 463,953 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013.
- (6) Includes 153,979 shares of common stock held by David M. Hatfield on January 16, 2013. Also includes 576,243 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013.
- (7) Includes 29,687 shares of common stock held by Indu Kodukula.
- (8) Includes 25,000 shares of common stock held by Robert A. Lento. Also includes 75,000 restricted stock units to which the restrictions will lapse within 60 days of March 31, 2013 and which remain subject to a risk of forfeiture until such time as these restrictions lapse and 250,000 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013.
- (9) Includes 11,224 shares of common stock held by Walter D. Amaral and 150,587 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013.
- (10) Includes 5,578 shares of common stock held by Thomas Falk and 24,688 shares held by eValue AG, which Mr. Falk serves as CEO and managing director and has voting and dispositive power.

- (11) Includes 64,966 shares of common stock held by Jeffrey T. Fisher and 115,587 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013.
- (12) See footnote (1) above. Joseph H. Gleberman is a Managing Director of Goldman, Sachs & Co. Mr. Gleberman holds voting and dispositive power for the shares held by GS Capital Partners V Fund, L.P., GS Capital Partners V Offshore Fund, L.P., GS Capital Partners V Institutional, L.P. and GS Capital

---

**Table of Contents**

Partners V GmbH & Co. KG. Mr. Gleberman disclaims beneficial ownership of the shares held by GS Capital Partners V Fund, L.P., GS Capital Partners V Offshore Fund, L.P., GS Capital Partners V Institutional, L.P. and GS Capital Partners V GmbH & Co. KG except to the extent of his pecuniary interest therein.

- (13) See footnote (2) above. Fredric W. Harman has voting and dispositive power for the shares held by Oak Investment Partners XII, Limited Partnership. Mr. Harman disclaims beneficial ownership of the securities held by such partnership in which he does not have a pecuniary interest.
- (14) See footnote (1) above. Peter J. Perrone is a Managing Director of Goldman, Sachs & Co. Mr. Perrone does not hold voting or dispositive power for the shares held by GS Capital Partners V Fund, L.P., GS Capital Partners V Offshore Fund, L.P., GS Capital Partners V Institutional, L.P. and GS Capital Partners V GmbH & Co. KG. Mr. Perrone disclaims beneficial ownership of the shares held by GS Capital Partners V Fund, L.P., GS Capital Partners V Offshore Fund, L.P., GS Capital Partners V Institutional, L.P. and GS Capital Partners V GmbH & Co. KG except to the extent of his pecuniary interest therein.
- (15) Includes 9,727 shares of common stock held by David C. Peterschmidt and 135,587 shares issuable upon exercise of options that are exercisable within 60 days of March 31, 2013.
- (16) Includes an aggregate of 5,190,112 shares issuable upon exercise of options that are exercisable and vesting within 60 days of March 31, 2013. Also includes 193,312 restricted stock units to which the restrictions will lapse within 60 days of March 31, 2013 and which remain subject to a risk of forfeiture until such time as these restrictions lapse.

**COMPENSATION COMMITTEE REPORT**

*The material in this report is not deemed soliciting material or filed with the Securities and Exchange Commission and is not to be incorporated by reference in any filing by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Proxy Statement and irrespective of any general incorporation language in those filings.*

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K with management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted by:

Peter J. Perrone, *Chairman*

David C. Peterschmidt

Walter D. Amaral

---

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Philosophy and Objectives**

Our compensation philosophy is to attract, motivate and retain talented executives responsible for the success of Limelight, which operates in an extremely competitive and rapidly changing part of the high technology industry. With this in mind, we strive to set our compensation programs within the appropriate competitive framework and based on the achievement of Limelight's overall financial results, individual contributions and performance by executives and employees and each executive's potential to enhance long-term stockholder value. Within this overall philosophy, our objectives are to:

Motivate executive officers to achieve quantitative financial and qualitative non-financial objectives and create a meaningful link between achievement of these objectives and individual executive compensation;

Align the financial interests of executive officers with those of Limelight's stockholders by providing significant equity-based incentives, while carefully considering both stockholder dilution and stock-based compensation expense; and

Offer a competitive total compensation package that enables Limelight to attract and retain top talent.

The Compensation Committee of the Board of Directors (the "Board") guides our compensation philosophy and objectives. The Compensation Committee uses the above-mentioned objectives as a guide in establishing the compensation programs, practices and packages offered to Limelight's executive officers and in assessing the proper allocation between long- and short-term incentive compensation and cash and non-cash compensation, although we have no formal or informal policies regarding such allocations.

The compensation for our named executive officers generally consists of three primary components: base salary, annual incentive cash bonus and equity awards. Other compensation components include severance and change of control provisions, 401(k) retirement benefits, generally available benefits such as health insurance, and in limited instances, special recognition cash bonuses for specific corporate achievements. Limelight considers the proper allocation between long- and short-term incentives by considering the balance that is required to attract and retain executives and reward them for the short-term success of our business while appropriately motivating the executives to strive to achieve our longer-term goals. We also consider the need to offer compensation packages that are comparable to those offered by companies competing with Limelight for executive talent. In allocating between cash and non-cash compensation, we seek to be in the middle of the pack within our peer group for cash compensation, and above average for non-cash, or equity based, compensation so as to align the interests of our stockholders and our named executive officers. We also believe that generally available benefits (such as 401(k) plan participation and health benefits) should be competitive with the external job market, in order to allow us to attract and retain talent. The Compensation Committee, however, does not have a pre-established policy or target for the allocation between long- and short-term incentive compensation and cash and non-cash compensation.

Throughout this Compensation Discussion and Analysis, the individuals who served as Chief Executive Officer and Chief Financial Officer during fiscal 2012, as well as the other individuals included in the Summary Compensation Table, are referred to as the named executive officers.

**Role and Authority of the Board of Directors and the Compensation Committee**

The Compensation Committee has decision-making authority with respect to the compensation of our named executive officers. The members of the Compensation Committee are directors Peter J. Perrone, David C. Peterschmidt and Walter D. Amaral. Each of these individuals qualifies as (i) an independent director under the requirements of The NASDAQ Stock Market, Inc., (ii) a non-employee director under Rule 16b-3 of the

## **Table of Contents**

Securities Exchange Act, and (iii) an outside director under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code ). The Compensation Committee has adopted a written charter approved by the Board, a copy of which is available on our website at <http://investors.limelightnetworks.com>.

The Compensation Committee carries out the Board's responsibilities to: (i) oversee Limelight's compensation policies, plans and benefits programs; (ii) approve the compensation of our Chief Executive Officer and other executive officers; and (iii) administer Limelight's equity compensation and incentive plans. In reviewing and approving the executive compensation packages offered to our named executive officers and other key employees, the Compensation Committee is responsible for ensuring that such packages are consistent with our compensation philosophy and objectives. The Compensation Committee also periodically reviews and makes recommendations to the Board regarding compensation, both cash and equity, for members of the Board. During fiscal 2012, the Board made changes to the director compensation structure that became effective on January 1, 2012. These changes are described in greater detail below under Director Compensation.

In carrying out its responsibilities, the Compensation Committee may engage outside consultants and consult with Limelight's Human Resources department and other company executives as the Compensation Committee determines to be appropriate. In December 2007, May 2009, December 2009, December 2010, August 2011, and May 2012, the Compensation Committee engaged Compensia, an executive compensation consulting firm, and received an Executive Compensation Assessment from Compensia in February 2008, May 2009, December 2009, December 2010, September 2011, and May 2012. In May 2012, the Compensation Committee received advice and guidance from Compensia regarding confirmation of the Company's executive compensation strategy, assessment of the competitiveness of total pay packages for the Company's senior executives relative to market and peers and development of 2012 executive cash compensation and equity grant guidelines. The Compensation Committee currently feels that it is adequately and appropriately able to assess and determine the compensation arrangements for our named executive officers based on the information provided through the Compensia report process and the Compensation Committee members' own experience and knowledge regarding compensation matters. The Compensation Committee also may obtain advice and assistance from internal or external legal, accounting or other advisers selected by the Compensation Committee. The Compensation Committee may delegate any of its responsibilities to one or more directors or to members of management, to the extent permitted by applicable law. The Compensation Committee has not delegated any of its responsibilities with respect to the named executive officers and has no plans to do so.

The Compensation Committee also meets as frequently as it deems necessary to address matters within its area of responsibility. During 2012, the Committee met nine times, and took action by unanimous written consent on nine occasions. The Compensation Committee intends to review annually the base salaries, annual incentive cash bonus and long-term equity incentive awards for the named executive officers. The Compensation Committee reviewed all compensation components for the named executive officers in the first fiscal quarter 2012, with the exception of the long-term equity incentive awards, which were granted in the fourth quarter of 2012, and with the exception of any executives that were hired subsequent to the Compensation Committee's compensation review. Generally, the Compensation Committee intends to review compensation components for the named executive officers in the first quarter of each year. The Compensation Committee will, however, review and may adjust an officer's compensation at any time during the year if and when the Committee deems such review to be necessary to align that officer's compensation with our compensation philosophy and objectives.

The Board has delegated limited, non-exclusive authority to a committee consisting of the Chief Executive Officer and the Chairman of the Compensation Committee (the Equity Award Committee ) to grant equity awards within certain parameters. The Equity Award Committee may grant awards only with respect to new hires for employees below the level of Vice President (and with respect to new hires, who are not expected to shortly thereafter become a Vice President or above). The Compensation Committee has approved an Equity Grant Policy and equity award matrix that includes equity incentive ranges for employees based on title, job responsibilities, seniority and other factors. This matrix is reviewed and approved annually by the Compensation

## **Table of Contents**

Committee. Each month, the Senior Director of Human Resources prepares a proposed grant list and confirms that the proposed awards are consistent with the equity award matrix. The proposed award list is submitted to the Equity Award Committee at the first of the month. If approved by the Equity Award Committee by the second Tuesday of the month, then the awards are effective as of the second Tuesday of the month and the per share exercise price is set at the closing price of our common stock on the NASDAQ Stock Market on that grant date. If the Equity Award Committee's approval of the proposed list is not obtained by the second Tuesday of the month, then the proposed awards are carried over for consideration the following month.

### **Role of Executive Officers in Compensation Decisions**

The Compensation Committee on occasion meets with our Chief Executive Officer, to obtain recommendations with respect to the compensation programs, practices and packages for the named executive officers (other than himself). At least annually, the Compensation Committee considers, but is not bound by and does not always accept, our Chief Executive Officer's recommendations for the named executive officers. These meetings typically occur in connection with a quarterly meeting of the Board or as part of a regularly scheduled Compensation Committee meeting. Recommendations with respect to equity award grants are made as part of our formal equity award grant process, pursuant to which management submits equity award recommendations to the Equity Award Committee (with respect only to employees who are not named executive officers) and/or the Compensation Committee.

Our Chief Executive Officer and our Chief Legal Officer and Corporate Secretary, regularly attend meetings of the Compensation Committee, but are excused from the meetings as appropriate when matters of executive compensation in which each may have a financial interest are discussed. In addition, other executives or employees sometimes attend the Compensation Committee's meetings, but they also leave the meetings as appropriate when matters of executive compensation are discussed. The Compensation Committee considers and discusses our Chief Executive Officer's compensation package salary as well as equity without him present.

### **Role of Compensation Consultant**

As noted, the Compensation Committee engaged the compensation consulting firm Compensia in December 2007, May 2009, December 2009, December 2010, August 2011, and May 2012 to advise the Compensation Committee regarding the role of market data in the compensation determination process, provide a review of emerging trends and best practices in executive compensation, assess the competitiveness of Limelight's current executive compensation and provide considerations for the Compensation Committee. Compensia's September 2011 and May 2012 Executive Compensation Assessment reports and the advice and guidance provided by Compensia pursuant to its August 2011 and May 2012 engagements by the Compensation Committee were sources of data for the Compensation Committee's analysis of our executive and general employee compensation. The Compensia reports advised the Compensation Committee regarding the role of market data in the compensation determination process, provided a review of emerging trends and best practices in executive compensation, assessed the competitiveness of Limelight's current executive compensation and provided considerations for the Compensation Committee. Compensia's analysis included base salary, annual incentive bonus and equity awards for the surveyed group described below. Limelight's management team uses the Compensia data as a tool in making recommendations to the Compensation Committee on compensation adjustments that are consistent with Limelight's compensation philosophy, objectives and goals. Other than Compensia's periodic review of Board member and non-executive officer employee equity compensation, Compensia does not provide any additional services to Limelight. Compensia provided its services directly to the Compensation Committee. The Compensation Committee assessed the independence of Compensia and concluded that its work has not raised any conflict of interest.

To compare our executive and managerial employee compensation program for fiscal 2012 to the market, Compensia surveyed technology companies that published their pay practices. The employers included in the



## **Table of Contents**

survey are technology infrastructure, Internet/cloud/digital media, or software companies with annual revenue between \$50 to \$500 million that have employees with similar experience and education levels to Limelight's employees. In order to maintain competitiveness within the marketplace, Limelight considers this peer group data in determining its executive compensation. The companies surveyed in its September 2011 report were Active Network, Bigband Networks, Blue Nile, Boingo Wireless, Cogent Communications Group, Constant Contact, DealerTrack Holdings, Demandtec, DG FastChannel (now Digital Generation), Dialogic (formerly Veraz Networks), InterNAP Network Services, J2 Global Communications, Logmein, Mediamind Technologies, Neutral Tandem, Quinstreet, Responsys, Saba Software, Synchronoss Technologies, Taleo, ValueClick, Web.com Group, and Websense. In Compensia's May 2012 report, the peer group was updated to remove Bigband Networks, Demandtec, and Mediamind Technologies, each of which were acquired and no longer provided executive compensation disclosures.

### **Components of Compensation**

The components of our executive officer compensation include:

Base salary;

Annual Incentive Bonus;

Equity-based incentive awards;

Severance and change of control protection;

Retirement benefits provided under a 401(k) plan; and

Generally available benefit programs.

We selected these components because we believe each is necessary to help us attract and retain the executive talent on which Limelight's success depends. The Compensation Committee believes that this set of components is effective and will continue to be effective in achieving the objectives of our compensation program and philosophy. The Compensation Committee, however, will review these elements of compensation on occasion and will alter or add to the elements if it believes that changes will better achieve Limelight's compensation objectives.

The Compensation Committee reviews the entire executive compensation program (other than retirement benefits under the 401(k) plan and generally available benefit programs) on at least an annual basis. However, the Compensation Committee at any time may review one or more components as necessary or appropriate to ensure such components remain competitive, appropriately designed to reward performance and aligned with our compensation philosophy and objectives. Additionally, the Compensation Committee considered the results of the non-binding advisory stockholder vote on the compensation of our named executive officers, commonly referred to as a say-on-pay proposal, that occurred in June 2011. Our stockholders approved the compensation of our named executive officers with approximately 94% of stockholder votes cast in favor of the 2011 say-on-pay proposal. We were mindful of the strong support our stockholders expressed for our named executive officer compensation programs and, as a result, we decided to retain our general approach to our executive compensation programs. We will hold such say-on-pay votes every three years, as approved by our stockholders in a non-binding advisory vote at our annual meeting in June 2011. We will hold another say-on-pay vote at our 2014 annual meeting.

In fiscal 2012, the use and weight of the executive compensation components were based on a subjective determination by the Compensation Committee of the importance of each component in meeting our overall compensation objectives, including our incentive and retention needs, the need to align incentives with our stockholders' interests, and our goal of staying competitive within the external job marketplace as evidenced by the Compensia survey noted above and by the general experience and knowledge of our Compensation Committee members. The Compensation Committee reviews the base salary, total cash compensation and equity



**Table of Contents**

compensation of our named executive officers relative to market comparables based on the data provided by Compensia, comparative market data provided by management, and the Committee members' own experience and knowledge, and has moved these elements of compensation toward market averages. In fiscal 2012, the Compensation Committee intended to generally align our executive officer compensation against the market as follows, with target total cash compensation generally aligning nearer the middle of the range and target equity generally aligning nearer the upper end of the range:

<b>Element of Compensation</b>	<b>Percentile</b>
Base Salary	25 <sup>th</sup> to 75 <sup>th</sup>
Target Total Cash	25 <sup>th</sup> to 75 <sup>th</sup>
Target Equity	50 <sup>th</sup> to 75 <sup>th</sup>

In September 2011, the Compensation Committee, with analytical assistance from Compensia, reviewed the motivational and retentive value of Limelight's 2011 and historical equity grants, given that the then-current price of Limelight's common stock had decreased significantly in a short period of time. The Compensation Committee determined that the unvested retention values of the outstanding equity grants had meaningfully diminished since the prior year's assessment. Following a review of current executive compensation philosophy and methodology, the competitiveness of extant executive compensation, an assessment of executive compensation within Limelight's peer group, recommendations for cash and equity award guidelines for Limelight's executive management team, and market data and related input, the Compensation Committee authorized and approved a supplemental equity and bonus program to provide meaningful incentive and retentive value for Limelight's executive officers and certain employees (the 2012 Supplemental Bonus Program), including the named executive officers. The 2012 Supplemental Bonus Program included two components. The first component is a time-based equity component that vested on December 31, 2012 and was described in detail in Limelight's proxy statement for the fiscal year ended December 31, 2011. The second component is a performance-based cash bonus that was based on the attainment of specified fiscal 2012 corporate financial performance metrics that are discussed in further detail herein under the heading Annual Incentive Cash Bonuses. The performance-based cash bonus component of the 2012 Supplemental Bonus Program was supplemental to the 2012 Management Bonus Plan and is described in detail below.

**Base Salary.** Limelight provides base salary to its named executive officers and other employees to compensate them for services rendered on a day-to-day basis during the fiscal year.

In conjunction with our annual performance review process, the Compensation Committee intends to review executive officer base salaries. During this process, the Chief Executive Officer will review the performance of the named executive officers (other than himself) and will report those findings to the Compensation Committee. A named executive officer's personal performance will be judged in part on whether our business objectives are being met. In setting base salary changes, management and the Compensation Committee considers each named executive officer's experience, skills, knowledge, responsibilities and performance and Limelight's performance as a whole as well as the report and recommendations of the Chief Executive Officer. An assessment of a named executive officer's personal performance is qualitative, with much reliance on our Chief Executive Officer's subjective evaluation of a named executive officer's personal performance (other than his own personal performance) and the Compensation Committee's experience and knowledge regarding compensation matters. No specific weight is attributed to any of the factors considered by the Compensation Committee in setting base salary changes. For newly hired named executive officers, the Compensation Committee also considers the base salary of the individual at his or her prior employment and any unique personal circumstances that motivated the executive to leave that prior position and join Limelight. We will aim to keep salaries in line with the external job market. Increases over the prior year's base salary also will be considered within the context of our overall annual merit increase budget to ensure that any increases are fiscally prudent and feasible for us. The Compensation Committee does not apply specific formulas to determine increases. There is no process in setting these annual merit increase budgets other than the annual business planning process. For fiscal 2012, the Compensation Committee also considered general economic conditions and the risks such conditions posed to achievement of the Company's financial performance targets for 2012.

**Table of Contents**

During fiscal 2012, Messrs. Lunsford, Lindroth, Raciborski and Hatfield received an increase in base salary from fiscal 2011 by 4%, except Mr. Hatfield, whose base salary increased by approximately 5%. This brought their fiscal 2012 base salaries to \$432,640, \$324,480, \$319,072, and \$272,272, respectively. Messrs. Kodukula and Lento commenced employment with the Company in the fourth quarter 2012. Mr. Kodukula's base salary for 2012 was \$350,000, while Mr. Lento received a monthly salary of \$60,000 during 2012 as the Company's Interim Chief Executive Officer. In determining these base salary levels, the Compensation Committee relied on the factors discussed above.

**Annual Incentive Cash Bonuses.** We have utilized cash bonuses to reward performance achievements and have in place annual target incentive bonuses for certain of our executive officers, payable either in whole or in part, depending on the extent to which the financial performance goals set by the Compensation Committee are achieved. For fiscal 2012, the target bonus amounts for Messrs. Lunsford, Lindroth, Raciborski, and Hatfield were \$339,800, \$133,500, \$151,000 and \$247,000 respectively, which were unchanged from 2011 target bonus amounts. The Compensation Committee did not change 2012 target bonus amounts because the Compensation Committee felt current target levels were appropriate given the current market conditions. Under the performance-based cash bonus component of the 2012 Supplemental Bonus Program described in Limelight's proxy statement for the fiscal year ended December 31, 2011, and herein, Messrs. Lunsford, Lindroth, Raciborski, and Hatfield were eligible to receive an additional target bonus amount of \$225,000, \$176,250, \$165,000, and 165,000, respectively. Bonuses in excess of the target bonus amounts could be earned for financial performance in excess of the targets established by the Compensation Committee under the 2012 Management Bonus Plan. Each participant in the 2012 Management Bonus Plan could earn between 0% and 200% of their target bonus depending upon the level of attainment or over-attainment of specified corporate performance goals discussed below. However, the 2012 Supplemental Bonus Program did not include an ability to earn greater than 100% of the target bonus amount if 2012 corporate performance exceeded the financial targets. Pursuant to Mr. Kodukula's employment agreement, Mr. Kodukula was eligible to receive a target annual incentive bonus of \$250,000 for calendar year 2012 under the 2012 Management Bonus Plan, which was to be prorated for the portion of calendar year 2012 during which Mr. Kodukula was an employee of the Company during 2012. Mr. Lento, who was employed on an interim basis during 2012, was not eligible to receive an incentive cash bonus.

The Compensation Committee also approved a supplemental allocation of \$500,000 to the 2012 Management Bonus Plan in special recognition of a major milestone in its strategic partnership with Gaikai, Inc. (Gaikai). As explained in more detail herein, this \$500,000 supplemental allocation was added to the total 2012 Management Bonus Plan pool after level of achievement was determined. Amounts were then allocated to each eligible 2012 Management Bonus Plan participant and were paid in 2013 to the eligible participants, including the Company's named executive officers.

The table below illustrates the minimum, target and maximum bonus amounts potentially payable to the named executive officers in 2012 under the 2012 Management Bonus Plan and the 2012 Supplemental Bonus Program:

	2012 Management Bonus Plan(1)			2012 Supplemental Management Bonus Program			Total 2012 Bonus Potential(1)		
	Minimum	Target	Maximum	Minimum	Target	Maximum	Minimum	Target	Maximum
Jeffrey W. Lunsford	\$ 1	339,800	679,600	\$ 1	225,000	225,000	\$ 2	564,800	904,600
Nathan F. Raciborski	1	151,000	302,000	1	165,000	165,000	2	316,000	467,000
Douglas S. Lindroth	1	133,500	267,000	1	176,250	176,250	2	309,750	443,250
David M. Hatfield	1	247,000	494,000	1	165,000	165,000	2	412,000	659,000
Indu Kodukula(2)	1	250,000	500,000				1	250,000	500,000

(1) Does not include the Gaikai supplemental allocation, which is allocated to all eligible 2012 Management Bonus Plan participants following determination of the cash bonuses.

(2) To be prorated for the portion of calendar year 2012 during which Mr. Kodukula was an employee of the Company.

## **Table of Contents**

Under the 2012 Management Bonus Plan and the 2012 Supplemental Bonus Program, incentive bonuses for all of the participants, including the participating named executive officers, were to be determined based upon measures of corporate financial performance, specifically revenue determined in accordance with generally accepted accounting principles and adjusted EBITDA targets. On September 5, 2012, in order to align employee incentives with Limelight's strategic initiatives, the Compensation Committee approved a supplemental bonus pool created within the existing 2012 Management Bonus Plan and the 2012 Supplemental Bonus Program, specifically growth of the software-as-a-service ( SaaS ) component of Limelight's business. This supplemental bonus pool did not increase or modify the target bonus amount for any named executive officer or other participant, rather, it created an alternative corporate performance goal to the adjusted EBITDA goal, attainment of which provided an alternative method for participants to earn a portion of their existing target bonus amounts. As a result, following completion of fiscal year 2012, the amount of the adjusted EBITDA target earned was compared to the amount of the SaaS target earned, and the larger of the two amounts was included in the bonus pool for payout to participants in the 2012 Management Bonus Plan and the 2012 Supplemental Bonus Program.

For the purposes of the 2012 Management Bonus Plan and the 2012 Supplemental Bonus Program, adjusted EBITDA means Limelight's GAAP net income (loss) before interest income, interest expense, other income and expense, provision for taxes, depreciation and amortization, income or loss from discontinued operations, plus provision for litigation, litigation defense expenses, stock based compensation and acquisition related expenses, includes the accrual for the bonus payable, and excludes any revenue and expense effects arising from any acquisition transactions (whether business or intellectual property acquisitions) during the performance period. For the purpose of the 2012 Management Bonus Plan and the 2012 Supplemental Bonus Program, SaaS means year-over-year SaaS revenue growth, measured by revenues achieved during the month of December 2012 compared to revenues for the same products achieved during the month of December 2011. The Compensation Committee selected these performance goals because it believed that these measures reflect value generated for our stockholders, and therefore relying on these goals for the determination of the bonuses ties payment of bonuses to creation of stockholder value.

Fifty percent (50%) of the target bonus was based upon the achievement of the revenue performance criteria, and fifty percent (50%) of the target bonus was based upon the achievement of the adjusted EBITDA performance criteria. As indicated earlier, the supplemental SaaS revenue bonus pool would replace the adjusted EBITDA performance pool as fifty percent (50%) of the target bonus in the event that the earned SaaS revenue resulted in a larger bonus achievement of the two criteria. The Compensation Committee established a floor, a target and a ceiling for each of these financial performance criteria. With respect to the portion of the bonus based upon each performance criteria, the participating executive could earn between zero and 100% ratably based on attainment between the floor and the target, and, with respect to the 2012 Management Bonus Plan only, between 100% and 200% ratably based on attainment between the target and the ceiling. The revenue performance floor, target, and ceiling was \$176.9 million, \$190.2 million, and \$203.5 million, respectively. The adjusted EBITDA performance floor, target, and ceiling was \$13.6 million, \$15.1 million, and \$19.6 million, respectively. The SaaS revenue performance floor, target, and ceiling was \$1.925 million, \$2.595 million, and \$3.561 million, respectively.

We believed that these targets presented achievable goals, but were not necessarily certain and depended upon successful execution of our business plan. Bonuses are reviewed and approved by the Compensation Committee, which determined the performance and operational criteria necessary for award of such bonuses. The actual bonus amount earned by each participating executive is typically determined by the Compensation Committee based upon attainment of the performance criteria after Limelight's 2012 financial results were reviewed and approved by the Audit Committee of the Board. Although the Compensation Committee has the authority to exercise discretion in awarding bonus payment, such discretion was not exercised and the 2012 bonus amounts were awarded based solely upon the financial performance criteria formula described above. Applying such formula to the Company's 2012 financial performance, the Compensation Committee determined that the Company would achieve 25.1% of the revenue target, and with the earned portion of the SaaS revenue target being larger than the earned portion of the adjusted EBITDA target (54.3% compared to

## Table of Contents

0%), the SaaS revenue bonus pool replaced the adjusted EBITDA bonus pool in the bonus plan's total earned bonus pool. This resulted in a payout of 39.7% of the total target amount for the 2012 Management Bonus Plan and for the 2012 Supplemental Bonus Program. After the supplemental allocation relating to the Gaikai transaction was added to the 2012 Management Bonus Plan (approximately 16.4%), the resulting payout for the 2012 Management Bonus Plan became approximately 56.1% of the total target bonus amount. Accordingly, the Compensation Committee authorized and approved a payment of annual cash bonuses to the 2012 Management Bonus Plan participants and the 2012 Supplemental Bonus Plan participants, including the Company's principal executive officer, principal financial officer and other named executive officers. Messrs. Lunsford, Lindroth, Raciborski, Hatfield, and Kodukula received bonuses of \$279,771, \$144,776, \$150,122, \$203,940 and \$23,358, respectively, which represented approximately 65%, 45%, 47%, 75% and 39% of their base salaries, respectively. In addition, on July 13, 2012, the Compensation Committee approved discretionary recognition cash bonuses to individuals who were instrumental in the establishment, maintenance and success of the Gaikai Inc. transaction and relationship, including \$95,000 to Mr. Lunsford, \$20,000 to Mr. Raciborski and \$17,500 to Mr. Lindroth.

**Long-Term Incentive Program.** The principal goals of Limelight's long-term equity-based incentive program are to align the interests of named executive officers with Limelight's stockholders and to provide each named executive officer with a significant incentive to manage Limelight from the perspective of an owner with an equity stake in the business. Another goal of the long-term equity-based incentive program is to provide a competitive overall compensation package that will enable us to attract and retain talented executives. The Compensation Committee believes that unvested equity awards are a key factor in motivating and retaining executive personnel, as well as incentivizing executive personnel to preserve the current value and grow the future value of Limelight's stock, thereby furthering the interests of Limelight's other stockholders. Equity-based awards granted during 2012 to our named executive officers were granted under our 2007 Equity Incentive Plan and were approved by the Compensation Committee. The Compensation Committee typically intends to address annual refresh grants for the executive officers in the first fiscal quarter of each year. The Compensation Committee will, however, periodically consider equity award grants as may be necessary or appropriate to achieve the objectives of the long-term incentive component of the overall executive compensation program. For example, during fiscal 2011, the Compensation Committee approved the equity component of the 2012 Supplemental Bonus Program during the fourth quarter of 2011 that the Compensation Committee intended would be in lieu of the equity award that it would otherwise consider in the first quarter of fiscal 2012. Also, in light of the upcoming CEO transition, and in order to better assure continuity of senior management both during the transition and beyond during fiscal 2012, the Board approved equity award grants in the fourth quarter of 2012 that the Board intended would be in lieu of the equity award that it would otherwise consider in the first quarter of fiscal 2013.

The Compensation Committee determined the appropriate equity grant amounts to be awarded in fiscal 2012 to certain of its named executive officers to meet Limelight's retention and business objectives by reviewing and considering competitive market data, the number and value of each named executive officer's then current equity award holdings, including the number of unvested equity awards and exercise price and retentive value of unvested stock options, each named executive officer's total compensation, each named executive officer's personal performance, the importance of each named executive officer's anticipated contributions to the development of long-term value creation and the Compensation Committee members' experience and knowledge with respect to equity compensation. In determining the appropriate equity grant amounts, management and the Compensation Committee subjectively considered each named executive officer's experience, skills, knowledge, responsibilities and performance and Limelight's performance as a whole, as well as the upcoming CEO transition and the need for continuity of the senior management in light of the transition. There is no specific weight given to any one of these elements of personal performance nor are there particular metrics associated with any one of these elements of personal performance. Rather than measuring each named executive officer's personal performance against formal personal performance goals or elements, we rely on the Chief Executive Officer's subjective evaluation of each named executive officer's personal performance (other than himself) and the Compensation Committee's experience and knowledge regarding compensation matters to evaluate the

## **Table of Contents**

personal performance of the named executive officers and to determine appropriate compensation for such officers. The Compensation Committee also relied, in part, on peer group compensation data and extant equity award valuation analyses provided by Compensia in determining the appropriate equity grant amounts awarded in fiscal 2012 to certain of its named executive officers.

Based on these factors, the Compensation Committee authorized and approved the following long-term incentive program awards described herein during 2012:

In November 2012, the Compensation Committee awarded each of Messrs. Lindroth, Raciborski, and Hatfield options to purchase 375,000, 250,000 and 375,000 shares of our common stock, respectively, at an exercise price of \$1.80, the fair market value of our common stock on the date of grant, as well as 250,000, 167,000 and 250,000 restricted stock units respectively. Subject to the provisions of the 2007 Equity Incentive Plan or each recipient's respective employment agreement, (i) a total of 50% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the first year beginning on March 1, 2013, and then on each of June 1, September 1 and December 1 thereafter; (ii) a total of 33% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the second year beginning on March 1, 2014, and then on each of June 1, September 1 and December 1 thereafter; and (iii) a total of 17% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the third year beginning on March 1, 2015, and then on each of June 1, September 1 and December 1 thereafter, provided the officer remains a Service Provider to the Company through the vesting date. It is the intention of the Compensation Committee that these awards are in lieu of awards that the Compensation Committee would otherwise consider for these officers during the first quarter of 2013.

In November 2012, in connection with the Company's hiring of Mr. Lento as the Company's Interim CEO, the Company issued 75,000 restricted stock units and 250,000 stock options (collectively, the Equity Awards) to Mr. Lento, pursuant to the Company's 2007 Equity Award Incentive Plan. The Equity Awards will vest on the six month anniversary of the effective Date of Mr. Lento's initial employment agreement, provided Mr. Lento continues to be a Service Provider through that vesting date. The size of Mr. Lento's grant was determined based on the factors listed above as well as the arm's length negotiations between the parties.

In October 2012, the Company issued Mr. Kodukula 475,000 restricted stock units pursuant to the Company's 2007 Equity Award Incentive Plan. One-sixteenth (1/16<sup>th</sup>) of the restricted stock units vested on March 1, 2013, and an additional one-sixteenth (1/16<sup>th</sup>) will vest on the first day of each June, September, December and March thereafter, provided Mr. Kodukula continues to be a Service Provider to the Company through each such vesting date. The size of Mr. Kodukula's grant was determined based on the factors listed above as well as the arm's length negotiations between the parties.

With respect to non-named executive officers, equity award grants are generally made within grant guidelines established by the Compensation Committee, in consultation with management, based on job grade, job title, responsibility level, seniority level or other factors, which may include the competitive hiring marketplace. Customarily, the Compensation Committee considers annual equity awards for employees other than named executive officers in the second quarter of each year. With respect to the named executive officers, the Chief Executive Officer makes recommendations on such guidelines and the named executive officer's actual grants. The grant guidelines assist us in keeping equity grants within the budgeted grant pool approved by the Compensation Committee, and thereby efficiently managing the available equity pool and its overhang.

For fiscal 2013, the Compensation Committee intends to continue to grant equity awards to selected Limelight employees. The Compensation Committee will determine the size of long-term, equity-based incentives based on each named executive officer's position within Limelight and will seek to set a level that will

## **Table of Contents**

create a meaningful opportunity for stock ownership and will motivate each named executive officer to remain in Limelight's service. In addition, in determining the size of a named executive officer's equity grant, the Compensation Committee will take into account an individual's recent performance, as well as the factors discussed below. The Compensation Committee has not formalized the process by which it will take an individual's performance or other factors into account, but may do so in the future.

In reviewing and analyzing the appropriate amount and type of equity awards to be granted, the Compensation Committee also may review the following factors:

The number of equity awards granted to an individual in a given role or position;

The number and mix of equity awards previously granted and currently held;

The individual's vested and unvested equity award positions, and the exercise price of stock options in relation to the then current market value;

The individual's total compensation package; and

A comparison of the individual's existing equity awards and total compensation to similar positions in selected technology companies.

The Compensation Committee views these factors as the important motivators to retain and attract key management talent.

On a total company basis, when appropriate, the Compensation Committee also analyzes:

The number of shares used by Limelight during the year with respect to new equity awards (i.e., burn rates);

The number of shares subject to outstanding equity awards relative to the total number of shares issued and outstanding (i.e., issued equity overhang); and

The number of shares subject to outstanding equity awards and available for future grants relative to the total number of shares issued and outstanding (i.e., total equity overhang).

The Compensation Committee believes that analyzing the above factors allows it to assess whether granting additional awards to the named executive officers is prudent based on the pool of shares we have available for grants to all of its service providers and to take into consideration the impact on the dilution of stockholder interests and overhang.

**Equity Award Practices.** We may grant a mix of options and restricted stock units in situations where the compensation philosophy and objectives would be best met by doing so. In prior years, our equity awards extended to most employees. Beginning in 2009, we concentrated equity awards among those positions with the greater opportunity to affect our financial performance and intend to continue this practice. The vesting schedules applied to equity awards, usually three or four years, provide both a strong retention tool and also balances each executive's focus on our short term and long term goals.

Prior to September 2007, the effective grant date for all equity awards to our named executive officers was the date on which the Compensation Committee or the Board of Directors approved the grant. Historically, this was accomplished through actions by unanimous written consent. In September 2007, our Board of Directors adopted a policy providing for approval of equity awards in advance of a future effective grant date. Limelight follows this granting policy as a best practice approach recommended by outside counsel to ensure all equity awards comply with



## Edgar Filing: Limelight Networks, Inc. - Form DEF 14A

laws and regulations. All stock options granted to the named executive officers have a per share exercise price equal to the fair market value of Limelight's common stock on the grant date.

**Stock Ownership Guidelines.** At this time, the Board of Directors has not adopted stock ownership guidelines with respect to the named executive officers or otherwise.

## **Table of Contents**

Limelight has an insider trading policy that prohibits, among other things, short sales, hedging of stock ownership positions, and transactions involving derivative securities relating to Limelight's common stock. In addition, Messrs. Lunsford and Hatfield each had an effective Rule 10b5-1 trading plan in place during fiscal 2012.

### **Employment Agreements, Severance and Change of Control Benefits**

**Employment Agreements.** Limelight has written employment agreements with certain executive officers, including each of its named executive officers. Each agreement provides that the executive's employment with Limelight is at-will and may be terminated at any time by either party, either with or without cause, upon written notice to the other party. Depending upon the circumstances of the executive's termination, the executive may be entitled to severance benefits or change of control benefits. Please see Potential Payments upon Termination or Change of Control below for further information on severance or change of control benefits.

In December 2008 the employment agreement for each then-current named executive officer was amended to bring each agreement into compliance with the rules and regulations under section 409A of the Internal Revenue Code.

In November 2012, we entered into an employment agreement with Robert A. Lento to become our interim Chief Executive Officer (the interim agreement). Pursuant to the terms of Mr. Lento's interim agreement, Mr. Lento's monthly salary was \$60,000 for six months commencing on the Effective Date, as such term is defined in the Agreement. The Company issued 75,000 restricted stock units and 250,000 stock options (collectively, the Equity Awards) to Mr. Lento, pursuant to the Company's 2007 Equity Award Incentive Plan. The Equity Awards will vest on the six month anniversary of the Effective Date, as such term is defined in the interim agreement, provided Mr. Lento continues to be a Service Provider through that vesting date. Mr. Lento's interim agreement further provides that we will reimburse Mr. Lento for certain expenses for reasonable travel (including business or first class airfare), entertainment and other business expenses, including professional association fees, and actual, reasonable attorneys' fees and costs incurred by him in connection with the review and negotiation of the interim agreement, not to exceed \$5,000 dollars. The terms of the interim agreement were the result of arm's length negotiations between representatives of Mr. Lento and members of the Compensation Committee.

Subsequent to the end of fiscal 2012, on January 22, 2013, we entered into an employment agreement with Mr. Lento to become our permanent President and Chief Executive Officer. Pursuant to the terms of Mr. Lento's employment agreement, Mr. Lento's annual salary for 2013 is \$475,000. Mr. Lento's salary is subject to annual review. Mr. Lento is eligible to receive an annual cash incentive bonus payable based on achievement of performance goals established by our Compensation Committee. For calendar year 2013, Mr. Lento's annual target incentive bonus will be \$300,000. The Company also issued Mr. Lento 750,000 restricted stock units and 2,000,000 stock options in 2013 pursuant to the Company's 2007 Equity Award Incentive Plan. One-quarter (1/4) of the restricted stock units will vest on the one-year anniversary of the effective date of the employment agreement, one-sixteenth (1/16<sup>th</sup>) of the restricted stock units will vest on March 1, 2014, and an additional one-sixteenth (1/16<sup>th</sup>) will vest on the first day of each June, September, December and March thereafter for twelve (12) consecutive quarters, provided Mr. Lento continues to be a Service Provider through each such vesting date. One-quarter (1/4<sup>th</sup>) of the shares subject to the stock option will vest on the one year anniversary of the effective date of the employment agreement, and one-forty-eighth (1/48<sup>th</sup>) of the stock options will vest on the 20<sup>th</sup> day of February, 2014 and on the 20<sup>th</sup> day of each month thereafter until all of the stock options have vested (four years), provided Mr. Lento continues to be a Service Provider through each such vesting date. In connection with his service as CEO, Mr. Lento will relocate his principal residence from Cincinnati, Ohio, to the San Francisco Bay area. The Company will reimburse Mr. Lento for customary and reasonable relocation expenses actually incurred (subject to the reasonable approval of the Compensation Committee), including the cost of moving his family's personal possessions and real estate brokerage fees paid by Mr. Lento in connection with the sale of his current residence if he chooses to sell that property within the first two years of the employment term.

## **Table of Contents**

Mr. Lento's employment agreement further provides that we will reimburse Mr. Lento for certain expenses for reasonable travel (including business or first class airfare), entertainment and other business expenses, including professional association fees, and actual, reasonable attorneys' fees and costs incurred by him in connection with the review and negotiation of the employment agreement, not to exceed \$5,000 dollars.

On October 20, 2006, we entered into an employment agreement with Jeffrey W. Lunsford, our former President, Chief Executive Officer and Chairman. Pursuant to the terms of Mr. Lunsford's employment agreement, amended December 30, 2008, Mr. Lunsford's annual salary for 2009 was \$400,000, which was unchanged from his 2008 annual salary. Mr. Lunsford's salary is subject to annual review, and during fiscal 2012, Mr. Lunsford's annual salary was \$432,640. Mr. Lunsford is eligible to receive an annual cash incentive bonus payable based on achievement of performance goals established by our Compensation Committee. During calendar year 2012, Mr. Lunsford's target annual incentive bonus was \$339,800, which was unchanged from his 2011 target annual incentive bonus. Mr. Lunsford was also eligible in fiscal 2012 for a cash bonus of up to \$225,000 under the cash component of the 2012 Supplemental Bonus Program entered into during fiscal 2011, as well as a portion of the supplemental Gaikai bonus pool, each of which are described in more detail above under the heading "Annual Incentive Cash Bonuses." The earned annual cash incentive bonus payable to Mr. Lunsford depended upon the extent to which the applicable performance goals were achieved. Mr. Lunsford's actual paid bonus for 2012 was \$279,771, of which, \$134,830 was attributed to the 2012 Management Bonus Program, \$89,281 was attributable to the 2012 Supplemental Bonus Program, and \$55,662 was attributable to the Gaikai bonus (described above under the heading "Annual Incentive Cash Bonuses"). Mr. Lunsford's employment agreement provides that we will reimburse Mr. Lunsford for reasonable travel, entertainment and other expenses incurred by him in furtherance of the performance of his employment duties. The Company announced in November 2012 that Mr. Lunsford would leave the day-to-day CEO role to pursue private business interests in mid-January 2013. Mr. Lunsford stepped down as CEO when Mr. Lento was appointed as interim CEO on November 26, 2012, but remained on as director and Chairman of the Board of Directors. On January 22, 2013, Mr. Lunsford tendered his resignation as director and Chairman of the Board of Directors and Mr. Lento filled the vacancy on the Board of Directors created by Mr. Lunsford's resignation.

On September 22, 2008, we entered into an employment agreement with Nathan F. Raciborski, our Founder (formerly, our Chief Technology Officer). Pursuant to the terms of Mr. Raciborski's employment agreement, amended December 30, 2008, Mr. Raciborski's annual salary for 2009 was \$295,000, which was unchanged from his 2008 annual salary. Mr. Raciborski's salary is subject to annual review, and during fiscal 2012, Mr. Raciborski's annual salary was \$319,072. Mr. Raciborski is eligible to receive an annual cash incentive bonus payable based on achievement of performance goals established by our Compensation Committee. During calendar year 2012, Mr. Raciborski's target annual incentive bonus was \$151,000, which was unchanged from his 2011 target annual incentive bonus. Mr. Raciborski was also eligible in fiscal 2012 for a cash bonus of up to \$165,000 under the cash component of the 2012 Supplemental Bonus Program entered into during fiscal 2011, as well as a portion of the supplemental Gaikai bonus pool, each of which are described in more detail above under the heading "Annual Incentive Cash Bonuses." The earned annual cash incentive bonus payable to Mr. Raciborski depended upon the extent to which the applicable performance goals were achieved. Mr. Raciborski's actual paid bonus for 2012 was \$150,122, of which, \$59,915 was attributed to the 2012 Management Bonus Program, \$65,472 was attributable to the 2012 Supplemental Bonus Program, and \$24,735 was attributable to the Gaikai bonus (described above under the heading "Annual Incentive Cash Bonuses"). In November 2012, the Compensation Committee awarded Mr. Raciborski options to purchase 250,000 shares of our common stock at an exercise price of \$1.80 and 167,000 restricted stock units. Subject to the provisions of the 2007 Equity Incentive Plan or Mr. Raciborski's employment agreement, (i) a total of 50% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the first year beginning on March 1, 2013, and then on each of June 1, September 1 and December 1 thereafter; (ii) a total of 33% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the second year beginning on March 1, 2014, and then on each of June 1, September 1 and December 1 thereafter; and (iii) a total of 17% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the third year beginning on March 1, 2015, and then on each

## **Table of Contents**

of June 1, September 1 and December 1 thereafter, provided Mr. Raciborski remains a Service Provider to the Company through the vesting date. Mr. Raciborski's employment agreement provides that we will reimburse Mr. Raciborski for reasonable travel, entertainment and other expenses incurred by him in furtherance of the performance of his employment duties.

On October 20, 2008, we entered into an employment agreement with Douglas S. Lindroth, our Senior Vice President, Chief Financial Officer and Treasurer. Pursuant to the terms of Mr. Lindroth's employment agreement, amended December 30, 2008, Mr. Lindroth's annual salary for 2009 was \$300,000. Mr. Lindroth's salary is subject to annual review, and during fiscal 2012, Mr. Lindroth's annual salary was \$324,480. Mr. Lindroth is eligible to receive an annual cash incentive bonus payable based on achievement of performance goals established by our Compensation Committee. During calendar year 2012, Mr. Lindroth's target annual incentive bonus was \$133,500, which was unchanged from his 2011 target annual incentive bonus. Mr. Lindroth was also eligible in fiscal 2012 for a cash bonus of up to \$176,250 under the cash component of the 2012 Supplemental Bonus Program entered into during fiscal 2011, as well as a portion of the supplemental Gaikai bonus pool, each of which are described in more detail above under the heading "Annual Incentive Cash Bonuses." The earned annual cash incentive bonus payable to Mr. Lindroth depended upon the extent to which the applicable performance goals were achieved. Mr. Lindroth's actual paid bonus for 2012 was \$144,776, of which, \$52,972 was attributed to the 2012 Management Bonus Program, \$69,936 was attributable to the 2012 Supplemental Bonus Program, and \$21,868 was attributable to the Gaikai bonus (described above under the heading "Annual Incentive Cash Bonuses"). In November 2012, the Compensation Committee awarded Mr. Lindroth options to purchase 375,000 shares of our common stock at an exercise price of \$1.80 and 250,000 restricted stock units. Subject to the provisions of the 2007 Equity Incentive Plan or Mr. Lindroth's employment agreement, (i) a total of 50% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the first year beginning on March 1, 2013, and then on each of June 1, September 1 and December 1 thereafter; (ii) a total of 33% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the second year beginning on March 1, 2014, and then on each of June 1, September 1 and December 1 thereafter; and (iii) a total of 17% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the third year beginning on March 1, 2015, and then on each of June 1, September 1 and December 1 thereafter, provided Mr. Lindroth remains a Service Provider to the Company through the vesting date. Mr. Lindroth's employment agreement provides that we will reimburse Mr. Lindroth for reasonable travel, entertainment and other expenses incurred by him in furtherance of the performance of his employment duties. In fiscal 2009, the Compensation Committee also approved an automobile allowance for Mr. Lindroth to maintain an automobile away from his home office.

On March 27, 2007, we entered into an employment agreement with David M. Hatfield, our former Executive Vice President, Global Sales and Services. Pursuant to the terms of Mr. Hatfield's employment agreement, amended December 30, 2008, Mr. Hatfield's annual salary for 2009 was \$250,000, which was unchanged from his 2008 salary. Mr. Hatfield's salary is subject to annual review, and during fiscal 2012, Mr. Hatfield's annual salary was \$272,272. Mr. Hatfield is eligible to receive an annual cash incentive bonus payable on achievement of performance goals established by the Compensation Committee. During calendar year 2012, Mr. Hatfield's target annual incentive bonus was \$247,000, which was unchanged from his 2011 target annual incentive bonus. Mr. Hatfield was also eligible in fiscal 2012 for a cash bonus of up to \$165,000 under the cash component of the 2012 Supplemental Bonus Program entered into during fiscal 2011, as well as a portion of the supplemental Gaikai bonus pool, each of which are described in more detail above under the heading "Annual Incentive Cash Bonuses." The earned annual cash incentive bonus payable to Mr. Hatfield depended upon the extent to which the applicable performance goals were achieved. Mr. Hatfield's actual paid bonus for 2012 was \$203,940, of which, \$98,008 was attributed to the 2012 Management Bonus Program, \$65,472 was attributable to the 2012 Supplemental Bonus Program, and \$40,460 was attributable to the Gaikai bonus (described above under the heading "Annual Incentive Cash Bonuses"). In November 2012, the Compensation Committee awarded Mr. Hatfield options to purchase 375,000 shares of our common stock at an exercise price of \$1.80 and 250,000 restricted stock units. Subject to the provisions of the 2007 Equity Incentive Plan or Mr. Hatfield's employment agreement, (i) a total of 50% of the stock options and restricted stock units subject to

## **Table of Contents**

the grants shall vest quarterly in four equal installments during the first year beginning on March 1, 2013, and then on each of June 1, September 1 and December 1 thereafter; (ii) a total of 33% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the second year beginning on March 1, 2014, and then on each of June 1, September 1 and December 1 thereafter; and (iii) a total of 17% of the stock options and restricted stock units subject to the grants shall vest quarterly in four equal installments during the third year beginning on March 1, 2015, and then on each of June 1, September 1 and December 1 thereafter, provided Mr. Hatfield remains a Service Provider to the Company through the vesting date. Mr. Hatfield's employment agreement provides that we will reimburse Mr. Hatfield for reasonable travel, entertainment and other expenses incurred by him in furtherance of the performance of his employment duties. The Company announced in November 2012 that Mr. Hatfield would leave the Company to pursue personal interests after the end of fiscal 2012.

On October 8, 2012, we entered into an employment agreement with Indu Kodukula to become our Chief Operating Officer. Pursuant to the terms of Mr. Kodukula's employment agreement, Mr. Kodukula's annual salary for 2012 and 2013 is \$350,000. Mr. Kodukula's salary is subject to annual review. Mr. Kodukula is eligible to receive an annual cash incentive bonus payable based on achievement of performance goals established by our Compensation Committee. For calendar year 2012 and 2013, Mr. Kodukula's annual target incentive bonus will be \$250,000. Mr. Kodukula was also eligible in fiscal 2012 to participate in the supplemental Gaikai bonus pool, which is described in more detail above under the heading "Annual Incentive Cash Bonuses." The earned annual cash incentive bonus payable to Mr. Kodukula depended upon the extent to which the applicable performance goals were achieved. Mr. Kodukula's actual paid bonus for 2012 was \$23,358, of which, \$16,533 was attributed to the 2012 Management Bonus Program and \$6,825 was attributable to the Gaikai bonus (described above under the heading "Annual Incentive Cash Bonuses"). The Company also issued Mr. Kodukula 475,000 restricted stock units pursuant to the Company's 2007 Equity Award Incentive Plan. One-sixteenth (1/16<sup>th</sup>) of the restricted stock units vested on March 1, 2013, and an additional one-sixteenth (1/16<sup>th</sup>) will vest on the first day of each June, September, December and March thereafter, provided Mr. Kodukula continues to be a Service Provider to the Company through each such vesting date. Mr. Kodukula's employment agreement provides that we will reimburse Mr. Kodukula for reasonable travel, entertainment and other business expenses, including professional association fees, incurred by him in furtherance of the performance of his employment duties.

The terms "cause" and "change of control" are used substantially consistently among the employment agreements with the named executive officers. Generally, the term "cause" or "for cause" means termination of employment as a result of:

Acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of an executive with respect to his or her obligations under the employment agreement or otherwise relating to the business of Limelight;

Repeated or habitual neglect of executive's duties or responsibilities that continues after notice of such neglect, or failure or refusal to carry-out the legitimate assignments given by the Chief Executive Officer or the Board;

Any act of personal dishonesty in connection with his or her responsibilities as an employee of the Company with the intention or reasonable expectation that such action may result in the substantial personal enrichment;

Executive's conviction of, or plea of nolo contendere to, a felony that the Board reasonably believes has had or will have a material detrimental effect on the Company's reputation or business;

A breach of any fiduciary duty owed to the Company by executive that has a material detrimental effect on the Company's reputation or business;

Executive being found liable in any Securities and Exchange Commission or other civil or criminal securities law action or entering any cease and desist order with respect to such action (regardless of whether or not executive admits or denies liability);

## Table of Contents

Executive (A) obstructing or impeding; (B) endeavoring to obstruct, impede or improperly influence; or (C) failing to materially cooperate with, any investigation authorized by the Board or any governmental or self-regulatory entity (an "Investigation"). However, executive's failure to waive attorney-client privilege relating to communications with executive's own attorney in connection with an Investigation will not constitute "cause"; or

Executive's disqualification or bar by any governmental or self-regulatory authority from serving in the capacity contemplated by his or her employment agreement or executive's loss of any governmental or self-regulatory license that is reasonably necessary for executive to perform his or her responsibilities to Limelight under the employment agreement, if (A) the disqualification, bar or loss continues for more than 30 days, and (B) during that period Limelight uses its good faith efforts to cause the disqualification or bar to be lifted or the license replaced.

Generally, the term "change of control" means the occurrence of any of the following events:

The consummation by Limelight of a merger or consolidation with any other corporation, other than a merger or consolidation which would result in the voting securities of Limelight outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

The approval by the stockholders of Limelight, or if stockholder approval is not required, approval by the Board, of a plan of complete liquidation of Limelight or an agreement for the sale or disposition by Limelight of all or substantially all of Limelight's assets; or

Any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act), other than Goldman Sachs & Co and its related funds and entities, becoming the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of Limelight representing 50% or more of the total voting power represented by the Company's then outstanding voting securities.

The term "in connection with a change of control" generally means a termination of executive's employment within three months prior to the execution of an agreement that results in a change of control or twelve months following a change of control.

**Severance Benefits.** Limelight believes that providing severance benefits for the named executive officers is necessary to attract and retain executive talent, and is accordingly consistent with our compensation philosophy and objectives. Severance benefits for the named executive officers is also appropriate as we believe that it is likely that an executive who is relieved of position without cause may require an extended period of time to obtain similar employment.

The employment agreements between Limelight and each named executive officer provide generally that if the executive is terminated without cause (and the termination is not in connection with a change of control) then the executive is entitled to the following severance benefits: (i) continued payment of executive's base salary for 12 months (six months in the case of Mr. Kodukula), (ii) actual, earned cash bonus for the year in which termination occurred prorated to the date of termination, and (iii) reimbursement for premiums paid for continued health benefits for the executive and eligible dependents under the Limelight health plans until the earlier of 12 months after termination or until executive and eligible dependents are covered under another health insurance program (six months in the case of Mr. Kodukula). Payment of severance benefits is conditioned on the executive making certain covenants with Limelight as described below under "Material Conditions to or Obligations of Severance" in the "Potential Payments upon Termination or Change of Control" section below.

If a named executive officer voluntarily resigns his employment or his employment is terminated for cause, then, with the exception of Mr. Raciborski, the named executive officer is entitled generally only to

## **Table of Contents**

compensation earned through the date of termination. More particularly, the named executive officer would be entitled to his base salary through the date of termination, unpaid but earned and accrued annual bonus for a fiscal year completed prior to the termination of employment and accrued but unused vacation time. All further vesting of outstanding equity awards would also cease as of the date of termination. Pursuant to Amendment No. 2 of his employment agreement entered into subsequent to the end of fiscal 2012, if Mr. Raciborski voluntarily resigns and such resignation is not in Connection with a Change in Control (as defined in his employment agreement), Mr. Raciborski is entitled to the following severance benefits: (i) continued payment of his base salary for twelve (12) months, (ii) the actual earned cash incentive, if any, payable to Mr. Raciborski for the current year, pro-rated to the date of termination, and, (iii) reimbursement for premiums paid for continued health benefits Mr. Raciborski and eligible dependents under the Company's health plans until the earlier of 12 months after termination or until Mr. Raciborski and eligible dependents are covered under another health insurance program.

In the event a named executive officer's employment is terminated due to death or disability, then twenty-five (25%) percent of the executive's then outstanding unvested equity awards would vest, except for Mr. Raciborski, who would be entitled to fifty (50%) percent vesting of then outstanding unvested equity awards in the event employment is terminated due to death or disability.

**Change of Control Benefits.** Limelight believes that providing certain benefits for the named executive officers in connection with a change of control is necessary to attract and retain executive talent. Further, Limelight believes that change of control arrangements are an important part of overall compensation for the named executive officers because they will assist the Company in maximizing stockholder value by allowing executives to participate in an objective review of any proposed transaction and whether such proposal is in the best interest of the stockholders, notwithstanding any concern the executive might have regarding the executive's continued employment prior to or following a change in control or other personal financial interest.

The employment agreements between Limelight and each named executive officer provide generally that, in the event of a change of control, fifty percent (50%) of each executive's then unvested equity awards will vest. Further, if the executive is terminated or resigns for good reason in connection with a change of control then the executive is entitled to the following change in control benefits: (i) continued payment of executive's base salary for 12 months (6 months in the case of Mr. Kodukula), (ii) 100% of the executive's target cash bonus for the year in which termination occurred, (iii) accelerated vesting of all outstanding, unvested equity awards, and (iv) reimbursement for premiums paid for continued health benefits for the executive and eligible dependents under the Limelight health plans until the earlier of 12 months after termination or until executive is covered under another health insurance program (6 months in the case of Mr. Kodukula). Payment of change of control benefits is conditioned on the executive making certain covenants with Limelight as described below under "Material Conditions to or Obligations of Severance" in the "Potential Payments upon Termination or Change of Control" section below.

**Table of Contents**

The tables below show the potential payments and benefits each of the named executive officers would be entitled to receive in the event of a change of control or if each such officer's employment had been terminated under the following circumstances as of December 31, 2012. Due to a number of factors that affect the nature and amount of any potential payments or benefits, any actual payments and benefits may be different.

**Potential Payments Upon Change of Control**

Name	Severance Salary (\$)	Severance Bonus (\$)	Acceleration of Unvested Equity Awards \$(1)	Health and Welfare Benefits (\$)	Total (\$)
Robert A. Lento	\$	\$	\$	\$	\$
Jeffrey W. Lunsford			333,000		333,000
Nathan F. Raciborski			237,870		237,870
Douglas S. Lindroth			356,250		356,250
David M. Hatfield			377,063		377,063
Indu Kodukula			527,250		527,250

- (1) Valuation of acceleration of unvested equity awards equal fifty percent (50%) of unvested restricted stock units and fifty percent (50%) of unvested non-qualified stock options with an exercise price less than the \$2.22 per share closing price of Limelight Networks common stock on December 31, 2012, held by Messrs. Lunsford, Raciborski, Lindroth, Hatfield and Kodukula. As of December 31, 2012, the exercise price of most of the non-qualified stock options held by Messrs. Lunsford, Raciborski, Lindroth and Hatfield was greater than \$2.22 per share, therefore these non-qualified stock options with an exercise price greater than \$2.22 per share have been excluded from this calculation.

**Potential Payments Upon Termination Without Cause or Resignation for Good Reason in Connection with a Change of Control**

Name	Severance Salary (\$)	Severance Bonus \$(1)	Acceleration of Unvested Equity Awards \$(1)	Health and Welfare Benefits \$(2)	Total \$(3)
Robert A. Lento	\$ 270,000	\$	\$ 276,500	\$ 5,420	\$ 551,920
Jeffrey W. Lunsford	432,640	339,800	666,000	13,324	1,451,764
Nathan F. Raciborski	319,072	151,000	475,740	13,630	959,442
Douglas S. Lindroth	324,480	133,500	712,500	8,431	1,178,911
David M. Hatfield	272,272	247,000	754,125	13,324	1,286,721
Indu Kodukula	175,000	250,000	1,054,500	6,793	1,486,293

- (1) Valuation of acceleration of unvested equity awards is equal to one hundred percent (100%) of the unvested restricted stock units and one hundred percent (100%) of unvested non-qualified stock options with an exercise price less than the \$2.22 per share closing price of Limelight Networks common stock on December 31, 2012, held by Messrs. Lento, Lunsford, Raciborski, Lindroth, Hatfield and Kodukula. As of December 31, 2012, the exercise price of most of the non-qualified stock options held by Messrs. Lunsford, Raciborski, Lindroth and Hatfield was greater than \$2.22 per share, therefore these non-qualified stock options with an exercise price greater than \$2.22 per share have been excluded from this calculation.

- (2) Health and welfare benefits are calculated using the annual cost of medical and dental insurance elected by the named executive during the year.

- (3)



## Edgar Filing: Limelight Networks, Inc. - Form DEF 14A

Depending upon applicable law, a departing employee may be eligible to be paid for accrued but unused vacation time banked prior to termination of employment.

**Table of Contents****Potential Payments Upon Termination Without Cause or Resignation for Good Reason Not in Connection with a Change of Control**

<b>Name</b>	<b>Severance Salary (\$)</b>	<b>Severance Bonus (\$)</b>	<b>Acceleration of Unvested Equity Awards (\$)</b>	<b>Health and Welfare Benefits \$(1)</b>	<b>Total \$(2)</b>
Robert A. Lento	\$ 270,000	\$	\$ 138,250	\$ 5,420	\$ 413,670
Jeffrey W. Lunsford	\$ 432,640	339,800		13,324	785,764
Nathan F. Raciborski	319,072	151,000		13,630	483,702
Douglas S. Lindroth	324,480	133,500		8,431	466,411
David M. Hatfield	272,272	247,000		13,324	532,596
Indu Kodukula(3)	175,000	43,825		6,793	225,618

- (1) Health and welfare benefits are calculated using the annual cost of medical and dental insurance elected by the named executive during the year.
- (2) Depending upon applicable law, a departing employee may be eligible to be paid for accrued but unused vacation time banked prior to termination of employment.
- (3) Mr. Kodukula began employment with the Company on October 29, 2012. Per his agreement, his severance under this scenario would have been the actual earned cash incentive, if any, payable to him for the current year, pro-rated to the date of termination, with such pro-rated amount to be calculated by multiplying the current year's Target Annual Incentive (\$250,000) by a fraction with a numerator equal to the number of days inclusive between the start of the current calendar year and the date of termination and a denominator equal to 365.

**Material Conditions to or Obligations of Severance.** The receipt of severance or change of control benefits is conditi