

QUALYS, INC.  
Form DEF 14A  
April 22, 2019

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-2

**QUALYS, INC.**  
**(Name of Registrant as Specified In Its Charter)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**QUALYS, INC.**

**919 East Hillsdale Boulevard, 4<sup>th</sup> Floor**

**Foster City, California 94404**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held at 11:00 a.m. Pacific Daylight Time on Friday, June 7, 2019**

TO THE HOLDERS OF COMMON STOCK

OF QUALYS, INC.:

The Annual Meeting of Stockholders of Qualys, Inc., a Delaware corporation, will be held on **Friday, June 7, 2019, at 11:00 a.m. Pacific Daylight Time**, at Qualys's corporate headquarters, 919 East Hillsdale Boulevard, 4<sup>th</sup> Floor, Foster City, California 94404, for the following purposes as more fully described in the accompanying proxy statement:

1. To elect two Class I directors to serve until the 2022 annual meeting of stockholders or until their successors are duly elected and qualified;
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2019;
3. To approve, on an advisory and non-binding basis, the compensation of our named executive officers as described in this proxy statement; and
4. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The board of directors of Qualys, Inc. has fixed the close of business on April 8, 2019 as the record date for the meeting. Only stockholders of record of our common stock on April 8, 2019 are entitled to notice of and to vote at the meeting. Further information regarding voting rights and the matters to be voted upon is presented in our proxy statement.

On or about April 22, 2019, we expect to mail to our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our proxy statement for our annual meeting and our annual report to stockholders. The Notice provides instructions on how to vote online or by telephone and includes instructions on how to receive a paper copy of proxy materials by mail. This proxy statement and our 2018 annual report can be accessed directly at the following Internet address: <http://www.proxyvote.com>. All you have to do is enter the control number located on your proxy card.

**YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting of Stockholders, we urge you to submit your vote via the Internet, telephone or mail.**

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We appreciate your continued support of Qualys, Inc. and look forward to either greeting you personally at the meeting or receiving your proxy.

By order of the Board of Directors,

/s/ Philippe F. Courtot

Philippe F. Courtot

Chairman, President and Chief Executive Officer

Foster City, California

April 22, 2019

**QUALYS, INC.**

**919 East Hillsdale Boulevard, 4<sup>th</sup> Floor**

**Foster City, California 94404**

**PROXY STATEMENT**

**FOR 2019 ANNUAL MEETING OF STOCKHOLDERS**

**to be held on Friday, June 7, 2019 at 11:00 a.m. Pacific Daylight Time**

This proxy statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by our board of directors for use at the annual meeting of stockholders (the Annual Meeting) to be held on June 7, 2019, and any postponements, adjournments or continuations thereof. The Annual Meeting will be held at Qualys's corporate headquarters, 919 East Hillsdale Boulevard, 4<sup>th</sup> Floor, Foster City, California 94404, on June 7, 2019 at 11:00 a.m. Pacific Daylight Time. On or about April 22, 2019, we expect to mail to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement for our Annual Meeting and our annual report to stockholders.

The information provided in the question and answer format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully.

**What matters am I voting on?**

You will be voting on:

the election of two Class I directors to hold office until the 2022 annual meeting of stockholders or until their successors are duly elected and qualified;

a proposal to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019;

a proposal to approve, on an advisory and non-binding basis, the compensation of our named executive officers as described in this proxy statement; and

any other business that may properly come before the meeting.

**How does the board of directors recommend I vote on these proposals?**

The board of directors recommends a vote:

FOR the nominees for election as Class I directors;

FOR the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019; and

FOR the compensation of our named executive officers as described in this proxy statement.

**Who is entitled to vote?**

Holders of our common stock as of the close of business on April 8, 2019, the record date, may vote at the Annual Meeting. As of the record date, we had 39,151,573 shares of common stock outstanding. In deciding all matters at the Annual Meeting, each stockholder will be entitled to one vote for each share of common stock held on the record date. We do not have cumulative voting rights for the election of directors.

*Registered Stockholders.* If your shares are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares, and the Notice was provided to you directly by us. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote in person at the Annual Meeting.

*Street Name Stockholders.* If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and the Notice was forwarded to you by your broker or nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares. Beneficial owners are also invited to attend the Annual Meeting. However, because a beneficial owner is not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you follow your broker's procedures for obtaining a legal proxy. If you request a printed copy of the proxy materials by mail, your broker or nominee will provide a voting instruction card for you to use.

### **How do I vote?**

There are four ways to vote:

by Internet at <http://www.proxyvote.com>, 24 hours a day, seven days a week, until 11:59 p.m. Eastern time on June 6, 2019 (have your proxy card in hand when you visit the website);

by toll-free telephone at 1-800-690-6903, until 11:59 p.m. Eastern time on June 6, 2019 (have your proxy card in hand when you call);

by completing and mailing your proxy card (if you received printed proxy materials); or

by written ballot at the Annual Meeting.

### **Can I change my vote?**

Yes. You can change your vote or revoke your proxy any time before the Annual Meeting by:

entering a new vote by Internet or by telephone;

returning a later-dated proxy card;

notifying the Corporate Secretary of Qualys, Inc., in writing, at the address listed on the front page; or

completing a written ballot at the Annual Meeting.

### **What is the effect of giving a proxy?**

Proxies are solicited by and on behalf of our board of directors. The persons named in the proxy have been designated as proxies by our board of directors. 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 instruction of the stockholder. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of our board of directors as described above. If any matters not described in the proxy statement are properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the Annual Meeting is adjourned, the proxy holders can vote your shares on the new meeting date as well, unless you have properly revoked your proxy instructions, as described above.



**Why did I receive a notice regarding the availability of proxy materials on the Internet instead of a full set of proxy materials?**

In accordance with the rules of the Securities and Exchange Commission ( SEC ), we have elected to furnish our proxy materials, including this proxy statement and our annual report to stockholders, primarily via the Internet. On or about April 22, 2019, we expect to mail to our stockholders a Notice of Internet Availability of Proxy Materials (the Notice ) that contains instructions on how to access our proxy materials on the Internet, how to vote at the meeting, and how to request printed copies of the proxy materials and annual report. Stockholders may request to receive all future proxy materials in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of our annual meetings.

**What is a quorum?**

A quorum is the minimum number of shares required to be present at the annual meeting for the meeting to be properly held under our bylaws and Delaware law. The presence, in person or by proxy, of a majority of all issued and outstanding shares of common stock entitled to vote at the meeting will constitute a quorum at the meeting. A proxy submitted by a stockholder may indicate that all or a portion of the shares represented by the proxy are not being voted ( stockholder withholding ) with respect to a particular matter. Similarly, a broker may not be permitted to vote stock ( broker non-vote ) held in street name on a particular matter in the absence of instructions from the beneficial owner of the stock. See How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions? The shares subject to a proxy that are not being voted on a particular matter because of either stockholder withholding or broker non-vote will count for purposes of determining the presence of a quorum. Abstentions are also counted in the determination of a quorum.

**How many votes are needed for approval of each matter?**

*Proposal No. 1:* The election of directors requires a plurality of the votes cast at the meeting, meaning that the individuals who receive the largest number of votes cast for their election are elected as directors. As a result, any shares not voted for a particular nominee (whether as a result of withhold votes or broker non-votes) will not be counted in such nominee's favor and will have no effect on the outcome of the election. You may vote for or withhold on each of the nominees for election as a director.

*Proposal No. 2:* The ratification of the appointment of Grant Thornton LLP must receive the affirmative vote of a majority of the shares present in person or by proxy at the meeting and entitled to vote thereon to be approved. You may vote for, against or abstain on this proposal. Abstentions represent shares present and entitled to vote and thus, will have the same effect as votes against this proposal.

*Proposal No. 3:* The approval, on an advisory and non-binding basis, of the compensation of our named executive officers as described in this proxy statement must receive the affirmative vote of a majority of the shares present in person or by proxy at the meeting and entitled to vote thereon to be approved. You may vote for, against or abstain on this proposal. Abstentions represent shares present and entitled to vote and thus, will have the same effect as votes against this proposal. Broker non-votes will have no effect on the outcome of this proposal because they represent shares that are not entitled to vote on the matter.

**How are proxies solicited for the Annual Meeting?**

The board of directors is soliciting proxies for use at the Annual Meeting. All expenses associated with this solicitation will be borne by us. We will reimburse brokers or other nominees for reasonable

expenses that they incur in sending these proxy materials to you if a broker or other nominee holds your shares.

**How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions?**

Brokerage firms and other intermediaries holding shares of common stock in street name for customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, your broker will have discretion to vote your shares on our sole routine matter the proposal to ratify the appointment of Grant Thornton LLP. Your broker will not have discretion to vote on the election of directors or the proposal to approve executive compensation, absent direction from you.

**Is my vote confidential?**

Proxy instructions, ballots, and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Qualys, Inc. or to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, or to facilitate a successful proxy solicitation.

**Where can I find the voting results of the Annual Meeting?**

We will announce preliminary voting results at the Annual Meeting. We will also disclose voting results on a Current Report on Form 8-K that we will file with the SEC within four business days after the Annual Meeting. If final voting results are not available to us in time to file a Current Report on Form 8-K, we will file a Current Report on Form 8-K to publish preliminary results and will provide the final results in an amendment to the Form 8-K as soon as they become available.

**I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?**

We have adopted a procedure called householding, which the SEC has approved. Under this procedure, we deliver a single copy of the Notice and, if applicable, the proxy materials to multiple stockholders who share the same address unless we received contrary instructions from one or more of the stockholders. This procedure reduces our printing costs, mailing costs, and fees. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, we will deliver promptly a separate copy of the Notice and, if applicable, the proxy materials to any stockholder at a shared address to which we delivered a single copy of any of these documents. To receive a separate copy, or, if you are receiving multiple copies, to request that Qualys only send a single copy, of the Notice and, if applicable, the proxy materials, stockholders may contact us as follows:

Qualys, Inc.

Attention: Investor Relations

919 East Hillsdale Boulevard, 4<sup>th</sup> Floor

Foster City, California 94404

(650) 801-6100

Stockholders who hold shares in street name may contact their brokerage firm, bank, broker-dealer or other similar organization to request information about householding.



**What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?**

*Stockholder Proposals*

Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at the next annual meeting of stockholders by submitting their proposals in writing to our Corporate Secretary in a timely manner. For a stockholder proposal to be considered for inclusion in our proxy statement for our 2020 annual meeting of stockholders, our Corporate Secretary must receive the written proposal at our principal executive offices not later than December 24, 2019. In addition, stockholder proposals must comply with the requirements of Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

Qualys, Inc.

Attention: Corporate Secretary

919 East Hillsdale Boulevard, 4<sup>th</sup> Floor

Foster City, California 94404

(650) 801-6100

Our bylaws also establish an advance notice procedure for stockholders who wish to present a proposal before an annual meeting of stockholders but do not intend for the proposal to be included in our proxy statement. Our bylaws provide that the only business that may be conducted at an annual meeting is business that is (i) specified in our proxy materials with respect to such meeting, (ii) otherwise properly brought before the meeting by or at the direction of our board of directors, or (iii) properly brought before the meeting by a stockholder of record entitled to vote at the annual meeting who has delivered timely written notice to our Corporate Secretary, which notice must contain the information specified in our bylaws. To be timely for our 2020 annual meeting of stockholders, our Corporate Secretary must receive the written notice at our principal executive offices:

not earlier than February 7, 2020; and

not later than the close of business on March 6, 2020.

In the event that we hold our 2020 annual meeting of stockholders more than 30 days before or more than 60 days after the one-year anniversary date of the 2019 annual meeting, then notice of a stockholder proposal that is not intended to be included in our proxy statement must be received no earlier than the close of business on the 120th day before such annual meeting and no later than the close of business on the later of the following two dates:

the 90th day prior to such annual meeting; or

the 10th day following the day on which public announcement of the date of such meeting is first made.

If a stockholder who has notified us of his or her intention to present a proposal at an annual meeting does not appear to present his or her proposal at such meeting, we are not required to present the proposal for a vote at such meeting.

*Nomination of Director Candidates*

You may propose director candidates for consideration by our nominating and governance committee. Any such recommendations should include the nominee's name and qualifications for membership on our board of directors and should be directed to the Corporate Secretary of Qualys, Inc. at the address set forth above. For additional information regarding stockholder recommendations

for director candidates, see Board of Directors and Corporate Governance Stockholder Recommendations for Nominations to the Board of Directors.

In addition, our bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, the stockholder must provide the information required by our bylaws. In addition, the stockholder must give timely notice to our Corporate Secretary in accordance with our bylaws, which, in general, require that the notice be received by our Corporate Secretary within the time period described above under Stockholder Proposals for stockholder proposals that are not intended to be included in our proxy statement.

*Availability of Bylaws*

A copy of our bylaws is available on our website at <http://investor.qualys.com>. You may also contact our Corporate Secretary at our principal executive offices for a copy of the relevant bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

Our business affairs are managed under the direction of our board of directors, which is currently composed of seven members. Six of our directors are independent under the Nasdaq Stock Market listing standards. Our board of directors is divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring.

Each director's term continues until the election and qualification of his successor, or his earlier death, resignation, or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

The following table sets forth the names and certain other information for each of the nominees for election as a director and for each of the continuing members of the board of directors.

	Class	Age	Position	Director Since	Current Term Expires	Expiration of Term For Which Nominated
<b><u>Nominees</u></b>						
Sandra E. Bergeron (1) (2) (3)	I	60	Lead Independent Director	2006	2019	2022
Kristi M. Rogers (3)	I	49	Director	2013	2019	2022
<b><u>Continuing Directors</u></b>						
Patricia Hatter (2) (3)	II	57	Director	2018	2020	
General Peter Pace (2) (3)	II	73	Director	2009	2020	
Jason Ream (1)	II	47	Director	2018	2020	
Philippe F. Courtot			Chairman, President and			
	III	74	Chief Executive Officer	2000	2021	
Jeffrey P. Hank (1)	III	59	Director	2010	2021	

(1) Member of the audit committee

(2) Member of the compensation committee

(3) Member of the nominating and governance committee



## Director Experience Matrix

The following graphic shows the number of director nominees that have experience in the areas that our Board believes are important to have represented on the Board.

**Strategic Planning.** For oversight of management's development and implementation of strategic priorities.

**Cybersecurity, Technology, and Information Security.** For insight into key issues affecting our company.

**Software Industry Experience.** For experience with similar operational and financial models.

**Audit/Financial Reporting.** For oversight of our company's audit function and preparation of financial statements.

**Global Perspective.** For insight into the many factors involved in overseeing management of our company's global footprint.

**Government, Public Policy, and Regulatory Affairs.** For insight into the key role of regulatory issues and the government market in our sector.

**Public Company Board Service and Corporate Governance.** For knowledge of public company governance issues and policies to enhance our Board practices.

**Risk Management.** For oversight of risk management.

**Human Capital Management and Succession Planning.** For experience with managing and developing a rapidly growing employee base.

### Nominees for Director

*Sandra E. Bergeron* has served as a director of our company since June 2006. From 2004 until 2012, Ms. Bergeron was a venture partner at Trident Capital, Inc., a venture capital firm. Ms. Bergeron currently serves on the board of directors of Sophos Group Plc and F5 Networks. Ms. Bergeron previously served on the board of directors of ArcSight, Inc. until it was acquired by Hewlett-Packard Company in September 2010, and also served on the board of directors of TriCipher, Inc. from 2004 until 2010. Ms. Bergeron holds a Bachelor of Business Administration degree from Georgia State University and a Master of Business Administration degree from Xavier University.

We believe that Ms. Bergeron possesses specific attributes that qualify her to serve as a member of our board of directors, including her experience as a director of technology companies and her background in the venture capital industry.

*Kristi M. Rogers* has served as a director of our company since August 2013. Ms. Rogers is currently co-founder and Managing Partner for Principal to Principal. Ms. Rogers was a co-owner and member of the board of Aspen Healthcare Services (now Aspen Medical International). Ms. Rogers ended the relationship and resigned from the Board in December 2016. From March 2014 to June 2015, Ms. Rogers served as Managing Director and Chief Executive Officer of Aspen Healthcare Services, LLC. From 2012 to 2014, Ms. Rogers served on the board of directors of Aspen Medical USA. Ms. Rogers served as a Managing Director of Government Affairs and Public Policy of Manatt, Phelps & Phillips LLP from February 2013 until February 2014. From August 2006 to January 2013,

Ms. Rogers served in various positions, including Executive Vice President, President, Chief Executive Officer and Vice Chairman of the Board, at Aegis Defense Services LLC, a provider of security and support services to the U.S. government. Ms. Rogers also serves on the Board of the non-profit Women's Foreign Policy Group. Ms. Rogers holds a Bachelor of Science degree in Political Science from Michigan State University.

We believe that Ms. Rogers possesses specific attributes that qualify her to serve as a member of our board of directors, including her executive experience and her expertise in the public service sector.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH  
OF THE NOMINEES NAMED ABOVE.**

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## BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

### Continuing Directors

*Philippe F. Courtot* has served as our Chairman and Chief Executive Officer since March 2001, and has been a director since January 2000. He also served as our President from March 2011 to November 2013, and from May 2014 to present. From April 1999 to February 2000, Mr. Courtot served as Chairman and Chief Executive Officer of Signio Inc., a secure payments solution provider, until its acquisition by VeriSign, Inc. Mr. Courtot holds a Master of Science degree from the University of Paris.

We believe that Mr. Courtot possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience as our President and Chief Executive Officer and his background in the technology industry, as well as his perspective as one of our significant stockholders.

*Patricia Hatter* has served as a director of our company since October 2018. Ms. Hatter has served as a strategic advisor to various private companies since July 2017, and joined WootCloud Inc. as an independent director. Previously, Ms. Hatter served as the General Manager and Senior Vice President Services, and Interim Chief Information Officer of McAfee, LLC, a global computer security software company, from January 2016 to July 2017. Ms. Hatter also served as Chief Information Officer Intel Security and General Manager Security & Software, of Intel Corporation, a leader in the semiconductor industry, from June 2015 to January 2016, and as Chief Information Officer and Senior Vice President Operations, of McAfee, LLC from October 2010 to June 2015. Ms. Hatter also served as a member of the Board of Directors of Barrick Gold Corporation, the largest gold mining company in the world, until January 2019. Ms. Hatter holds a B.S. and a M.S. in mechanical engineering from Carnegie Mellon University.

We believe that Ms. Hatter possesses specific attributes that qualify her to serve as a member of our board of directors, including her executive roles at various cybersecurity and technology companies and her prior board experience.

*General Peter Pace* has served as a director of our company since May 2009. From June 1967 until October 2007, Gen. Pace served in the United States Marine Corps, including as Chairman of the Joint Chiefs of Staff. Since October 2007, Gen. Pace has been a principal at Pace Ventures LLC. From February 2010 until its acquisition by Court Square Capital Partners and J. Eric Pike in December 2014, Gen. Pace served on the board of directors of Pike Electric Corporation. Since January 2011, Gen. Pace has served on the board of directors of AAR Corp. From November 2012 to February 2014, Gen. Pace served on the board of directors of LaserLock Technologies, Inc. From December 2012 until its acquisition by Oracle in June 2016, Gen. Pace served on the board of directors of Textura Corp. From January 2003 to January 2011, Gen. Pace served on the board of directors of Steve Myers and Associates Inc., and from June 2010 to June 2013, Gen. Pace served on the board of directors of Wi2Wi Inc. Gen. Pace also currently serves on the boards of directors of several private companies and previously served on the President's Intelligence Advisory Board and Secretary of Defense's Defense Policy Board. Gen. Pace holds a Bachelor of Science degree from the U.S. Naval Academy and a Master of Science degree in Business Administration from The George Washington University.

We believe that Gen. Pace possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience as a director of technology and defense companies and his leadership experience.

*Jason Ream* has served as a director of our company since July 2018. Mr. Ream has served as chief financial officer of Mitrtech Holdings, Inc., a provider of legal and compliance software solutions,

since June 2018. Previously, Mr. Ream served as chief financial officer of Relativity ODA, LLC, a provider of e-discovery software solutions, from April 2016 to March 2018. Mr. Ream also held various positions at SolarWinds, Inc., a provider of IT infrastructure management software, from April 2009 to April 2016, including executive vice president and chief financial officer from October 2013 to April 2016, vice president of growth strategy from October 2012 to October 2013, and vice president, tools from December 2011 to October 2012. Prior to joining SolarWinds, Mr. Ream worked for J.P. Morgan as an executive director in investment banking from July 2006 to January 2009. From July 1999 to July 2006, he held various roles in investment banking at UBS, Piper Jaffray, and Credit Suisse First Boston. Mr. Ream holds an A.B. in mathematics from Amherst College.

We believe that Mr. Ream possesses specific attributes that qualify him to serve as a member of our board of directors, including his extensive experience as a financial executive with companies in the software industry.

*Jeffrey P. Hank* has served as a director of our company since January 2010. From June 2005 to July 2012, Mr. Hank was the Vice President, Chief Accounting Officer and Corporate Controller of Intuit, Inc., and Mr. Hank served as the Vice President of Finance and Chief Accounting Officer of Intuit from July 2012 until September 2013. From June 2002 until September 2003, Mr. Hank was an audit partner at KPMG LLP. From September 1994 until June 2002, Mr. Hank was an audit partner at Arthur Andersen LLP. Mr. Hank holds a Bachelor of Science degree in Business Administration from the University of California at Berkeley.

We believe that Mr. Hank possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience as an executive at a technology company and his background in the accounting industry.

### **Director Independence**

Our board of directors has reviewed the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our board of directors has determined that each of Ms. Bergeron, Ms. Hatter, Mr. Hank, Gen. Pace, Mr. Ream and Ms. Rogers do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is independent as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the Nasdaq Stock Market. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock held by each non-employee director.

With respect to Gen. Pace, our board of directors specifically considered that Gen. Pace serves on the board of directors of Second Front Systems, Inc. and the terms and value of the Representative Agreement we have with Second Front Systems, Inc. Our board of directors has concluded that our relationship with Second Front Systems, Inc. is not a material relationship that would impede the exercise of independent judgment by Gen. Pace.

### **Leadership Structure**

Mr. Courtot currently serves as both Chairman of our board of directors and President and Chief Executive Officer. Our board of directors believes that the current board leadership structure, coupled with a strong emphasis on board independence, provides effective independent oversight of management while allowing the board of directors and management to benefit from Mr. Courtot's leadership and years of experience as an executive in the technology industry. Serving on our board of

directors since 2000 and as Chief Executive Officer since 2001, Mr. Courtot is best positioned to identify strategic priorities, lead critical discussion and execute our strategy and business plans.

Mr. Courtot possesses detailed in-depth knowledge of the issues, opportunities, and challenges facing us. Independent directors and management sometimes have different perspectives and roles in strategy development. Our independent directors bring experience, oversight and expertise from outside of our company, while the Chief Executive Officer brings company specific experience and expertise. The board of directors believes that Mr. Courtot's combined role enables strong leadership, creates clear accountability, and enhances our ability to communicate our message and strategy clearly and consistently to stockholders.

### **Lead Independent Director**

Our board of directors has appointed Sandra E. Bergeron to serve as our lead independent director. As lead independent director, Ms. Bergeron presides over periodic meetings of our independent directors, serves as a liaison between our Chairman and the independent directors and performs such additional duties as our board of directors may otherwise determine and delegate.

### **Board Meetings and Committees**

During the year ended December 31, 2018, our board of directors held 4 meetings (including regularly scheduled and special meetings), our audit committee held 9 meetings, our compensation committee held 5 meetings, and our nominating and governance committee held 2 meetings. Each director attended at least 75% of the total number of meetings of the board of directors and the committees of which he or she was a member during 2018, except for Mr. Ream, who was recently appointed to our board of directors in 2018 and who attended 100% of the meetings of the board of directors and missed one meeting of the committee of which he is a member.

Although we do not have a formal policy regarding attendance by members of our board of directors at annual meetings of stockholders, we encourage, but do not require, directors to attend. Mr. Courtot, Mr. Hank, Ms. Rogers and Mr. Headley attended the 2018 annual meeting of stockholders.

Our board of directors has an audit committee, a compensation committee, and a nominating and governance committee, each of which has the composition and responsibilities described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

#### *Audit Committee*

Our audit committee consists of Ms. Bergeron, Mr. Hank and Mr. Ream, with Mr. Hank serving as Chairman. The composition of our audit committee meets the requirements for independence under current Nasdaq Stock Market listing standards and SEC rules. Each member of our audit committee meets the financial literacy requirements of the Nasdaq Stock Market listing standards. In addition, our board of directors has determined that Mr. Hank and Mr. Ream are audit committee financial experts within the meaning of the rules and regulations of the SEC. Among other responsibilities, our audit committee:

- selects and hires a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;

- helps to ensure the independence and performance of the independent registered public accounting firm;



discusses the scope and results of the audit with the independent registered public accounting firm, and reviews, with management and the independent accountants, our interim and year-end operating results;

oversees procedures for employees to submit concerns anonymously about questionable accounting or audit matters;

reviews our policies on risk assessment and risk management;

reviews related party transactions;

obtains and reviews a report by the independent registered public accounting firm at least annually, that describes our internal quality-control procedures, any material issues with such procedures, and any steps taken to deal with such issues; and

approves (or, as permitted, pre-approves) all audit and all permissible non-audit services, other than de minimis non-audit services, to be performed by the independent registered public accounting firm.

Our audit committee operates under a written charter that was adopted by our board of directors and satisfies the applicable rules of the SEC and the listing standards Nasdaq Stock Market. A copy of the audit committee charter is available on our website at <http://investor.qualys.com>.

#### *Compensation Committee*

Our compensation committee consists of Ms. Bergeron, Ms. Hatter and Gen. Pace, with Ms. Bergeron serving as Chairperson. The composition of our compensation committee meets the requirements for independence under current Nasdaq Stock Market listing standards and SEC rules. Each member of our compensation committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act. The purpose of our compensation committee is to discharge the responsibilities of our board of directors relating to the compensation of our executive officers. Among other responsibilities, our compensation committee:

reviews, approves and determines, or makes recommendations to our board of directors regarding, the compensation of our executive officers;

administers our stock and equity incentive plans;

reviews and approves and makes recommendations to our board of directors regarding incentive compensation and equity plans; and

establishes and reviews general policies relating to compensation and benefits of our employees.

Our compensation committee operates under a written charter that was adopted by our board of directors and satisfies the applicable rules of the SEC and the listing standards of the Nasdaq Stock Market. A copy of the compensation



committee charter is available on our website at <http://investor.qualys.com>.

*Compensation Committee Interlocks and Insider Participation*

None of Sandra E. Bergeron, Patricia Hatter, and General Peter Pace, who are the members of our compensation committee, is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the compensation committee or director (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any entity that has one or more executive officers serving on our compensation committee or our board of directors.

*Nominating and Governance Committee*

Our nominating and governance committee consists of Ms. Bergeron, Ms. Hatter, Ms. Rogers and Gen. Pace, with Gen. Pace serving as Chairman. The composition of our nominating and governance committee meets the requirements for independence under current Nasdaq Stock Market listing standards and SEC rules. Among other responsibilities, our nominating and governance committee:

identifies, evaluates and selects, or makes recommendations to our board of directors regarding, nominees for election to our board of directors and its committees;

evaluates the performance of our board of directors and of individual directors;

considers and makes recommendations to our board of directors regarding the composition of our board of directors and its committees;

reviews developments in corporate governance practices;

evaluates the adequacy of our corporate governance practices and reporting; and

reviews and makes recommendations to our board of directors regarding corporate governance guidelines and matters.

Our nominating and governance committee operates under a written charter that was adopted by our board of directors and satisfies the applicable rules of the SEC and the listing standards Nasdaq Stock Market. A copy of the nominating and governance committee charter is available on our website at <http://investor.qualys.com>.

**Considerations in Evaluating Director Nominees**

The nominating and governance committee uses a variety of methods for identifying and evaluating director nominees. In its evaluation of director candidates, the nominating and governance committee will consider the current size and composition of the board of directors and the needs of the board of directors and the respective committees of the board of directors. Some of the qualifications that the nominating and governance committee considers include, without limitation, issues of character, integrity, judgment, diversity of experience, independence, area of expertise, corporate experience, length of service, potential conflicts of interest and other commitments. Nominees must also have the ability to offer advice and guidance to our Chief Executive Officer based on past experience in positions with a high degree of responsibility and be leaders in the companies or institutions with which they are affiliated. Director candidates must have sufficient time available in the judgment of the nominating and governance committee to perform all board of director and committee responsibilities. Members of the board of directors are expected to prepare for, attend, and participate in all board of director and applicable committee meetings. Other than the foregoing, there are no stated minimum criteria for director nominees, although the nominating and governance committee may also consider such other factors as it may deem, from time to time, are in our and our stockholders best interests. The nominating and governance committee will also seek appropriate input from the Chief Executive Officer from time to time in assessing the needs of the board of directors for relevant background, experience, diversity and skills of its members.

Although the board of directors does not maintain a specific policy with respect to board diversity, the board of directors believes that the board should be a diverse body, and the nominating and governance committee considers a broad range of backgrounds and experiences. In making determinations regarding nominations of directors, the nominating and governance committee may take into account the benefits of diverse viewpoints. The nominating and governance committee also considers these and other factors as it oversees the annual board of director and committee evaluations.

## **Stockholder Recommendations for Nominations to the Board of Directors**

The nominating and governance committee will consider candidates for director recommended by stockholders so long as such recommendations comply with the certificate of incorporation and bylaws of our company and applicable laws, rules and regulations, including those promulgated by the SEC. The committee will evaluate such recommendations in accordance with its charter, our bylaws and the regular nominee criteria described above. This process is designed to ensure that the board of directors includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to our business. Eligible stockholders wishing to recommend a candidate for nomination should contact our General Counsel in writing. Such recommendations must include information about the candidate, a statement of support by the recommending stockholder, evidence of the recommending stockholder's ownership of our stock and a signed letter from the candidate confirming willingness to serve on our board of directors. The committee has discretion to decide which individuals to recommend for nomination as directors.

A stockholder of record can nominate a candidate directly for election to the board of directors by complying with the procedures in Section 2.4(ii) of our bylaws. Any eligible stockholder who wishes to submit a nomination should review the requirements in the bylaws on nominations by stockholders. Any nomination should be sent in writing to Qualys, Inc., Attention: Corporate Secretary, 919 East Hillsdale Boulevard, 4<sup>th</sup> Floor, Foster City, California 94404. Notice must be received by us no earlier than February 7, 2020, and no later than March 6, 2020. The notice must state the information required by Section 2.4(ii)(b) of our bylaws and otherwise must comply with applicable federal and state law.

## **Stockholder Communications with the Board of Directors**

Stockholders wishing to communicate with the board of directors or with an individual member of the board of directors may do so by writing to the board of directors or to the particular member of the board of directors, and mailing the correspondence to: Qualys, Inc., Attention: General Counsel, 919 East Hillsdale Boulevard, 4<sup>th</sup> Floor, Foster City, California 94404. All such stockholder communications will be forwarded to the appropriate member or members of the board of directors, or if none is specified, to the Chairman of the board of directors.

## **Corporate Governance Guidelines and Codes of Business Conduct and Ethics**

Our board of directors has adopted Corporate Governance Guidelines. These guidelines address, among other items, the responsibilities of our directors, the structure and composition of our board of directors and corporate governance policies and standards applicable to us in general. In addition, our board of directors has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer, and other executive and senior financial officers. The full text of our Corporate Governance Guidelines and Code of Business Conduct and Ethics is posted on the Corporate Governance portion of our website at <http://investor.qualys.com>. We will post amendments to our Code of Business Conduct and Ethics or waivers of our Code of Business Conduct and Ethics for directors and executive officers on the same website.

## **Risk Management**

Risk is inherent with every business, and we face a number of risks, including strategic, financial, business and operational, legal and compliance, and reputational. We have designed and implemented processes to manage risk in our operations. Management is responsible for the day-to-day management of risks the company faces, while our board of directors, as a whole and assisted by its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are appropriate and functioning as designed.



Our board of directors believes that open communication between management and the board of directors is essential for effective risk management and oversight. Our board of directors meets with our Chief Executive Officer and other members of the senior management team at quarterly board meetings, where, among other topics, they discuss strategy and risks facing the company.

While our board of directors is ultimately responsible for risk oversight, our board committees assist the board of directors in fulfilling its oversight responsibilities in certain areas of risk. The audit committee assists our board of directors in fulfilling its oversight responsibilities with respect to risk management in the areas of internal control over financial reporting and disclosure controls and procedures, and legal and regulatory compliance. The audit committee discusses with management and the independent auditor guidelines and policies with respect to risk assessment and risk management. The audit committee also reviews management's assessment of the key risks facing us, including the key controls it relies on to mitigate those risks. The audit committee also monitors certain key risks at each of its regularly scheduled meetings, such as risk associated with internal control over financial reporting and liquidity risk. The nominating and governance committee assists our board of directors in fulfilling its oversight responsibilities with respect to the management of risk associated with board organization, membership and structure, and corporate governance. Our compensation committee assesses risks created by the incentives inherent in our compensation programs, policies and practices and found no risks that would be reasonably likely to have a material adverse effect on the Company. Finally, the full board of directors reviews strategic and operational risk in the context of reports from the management team, receives reports on all significant committee activities at each regular meeting, and evaluates the risks inherent in significant transactions.

### Non-Employee Director Compensation

The following table provides information regarding compensation paid by us to our non-employee directors during 2018.

Directors who are also our employees receive no additional compensation for their service as a director. During 2018, one director, Mr. Courtot, our Chairman and Chief Executive Officer, was an employee. Mr. Courtot's compensation is discussed under the heading Executive Compensation. We reimburse our directors for expenses associated with attending meetings of our board of directors and meetings of committees of our board.

### 2018 Director Compensation Table

Name	Fees Earned or Paid in		Stock Awards (1) (2)	Total
	Cash			
Sandra E. Bergeron	\$ 56,833		\$ 251,165(3)	\$ 307,998
Jeffrey P. Hank	50,000		251,165(3)	301,165
Gen. Peter Pace	45,000		251,165(3)	296,165
Kristi M. Rogers	34,000		251,165(3)	285,165
Jason Ream	13,833		443,546(4)	457,379
Patricia Hatter	6,500		378,611(5)	385,111
Donald R. Dixon (6)	31,583		251,165(3)	282,748
Todd P. Headley (7)	38,158		251,165(3)	289,324

(1) The dollar amounts reported in this column represent the grant date fair value of restricted stock unit awards granted in 2018. These amounts have been calculated in accordance with Financial Accounting Standards Board,

or FASB, Accounting Standards Codification, or ASC, Topic 718. The fair value of each restricted stock unit award is measured based on the closing price of our

common stock on the date of grant. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of valuation assumptions, see the stock-based compensation note to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 27, 2019.

- (2) As of December 31, 2018, the aggregate number of shares of our common stock underlying unvested stock awards and outstanding option awards held by each of our non-employee directors was:

Name	Aggregate Number of Shares Underlying Unvested Stock Awards	Aggregate Number of Shares Underlying Outstanding Option Awards
Sandra E. Bergeron	2,588	36,000
Jeffrey P. Hank	2,588	69,750
Gen. Peter Pace	2,588	58,500
Kristi M. Rogers	2,588	35,000
Jason Ream	4,664	
Patricia Hatter	4,968	
Donald R. Dixon	2,588	
Todd P. Headley	2,588	

- (3) On June 18, 2018, each of Ms. Bergeron, Mr. Hank, Gen. Pace, Ms. Rogers, Mr. Dixon and Mr. Headley was granted 2,588 restricted stock units, which vest on the earlier of (i) June 18, 2019 or (ii) the day before our 2019 annual meeting of stockholders, subject to the applicable director's continued service to us.
- (4) On July 26, 2018, Mr. Ream was granted 4,664 restricted stock units, which vest in three equal annual installments on each of the first three anniversaries of August 1, 2018, subject to Mr. Ream's continued service to us.
- (5) On October 25, 2018, Ms. Hatter was granted 4,968 restricted stock units, which vest in three equal annual installments on each of the first three anniversaries of November 1, 2018, subject to Ms. Hatter's continued service to us.
- (6) Represents compensation for service through July 26, 2018.
- (7) Represents compensation for service through December 7, 2018.

#### **Non-Employee Director Compensation Program**

Our compensation committee is responsible for reviewing and making recommendations with respect to the compensation of our non-employee directors. Our compensation committee's policy is to engage a compensation consultant every year to conduct a full review and benchmarking (using the same peer group used to benchmark executive compensation) of our non-employee directors' compensation in order to ensure that our directors' compensation is in line with peer companies competing for director talent. Our current non-employee director compensation program was reviewed and approved in 2017 in connection with input from Compensia, an independent compensation advisor. In fiscal year 2019, our compensation committee engaged Mercer as its compensation consultant. No changes have been made to our non-employee director compensation program since 2017. During 2018, our non-employee director compensation program consisted of equity and cash, as described below.





*Equity Compensation*

Upon joining our board of directors, each newly elected non-employee director will be granted an award of restricted stock units with a value of \$420,000 (the Initial Award), with vesting to occur in three equal annual installments on each of the first three anniversaries of the first day of the month following the month that the director joins the board, subject to continued service as a director through each vesting date.

On the date of each annual meeting of stockholders, each non-employee director who has served on our board of directors for at least six months prior to such date will be granted an award of restricted stock units with an intended value (based on the average of the closing prices of our common stock for the 30 trading days ending one week before the applicable grant date) of \$200,000 (the Annual Award), which may be different from the award's actual grant date fair value. Each of these awards vests on the earlier of the first anniversary of its grant date or the day before the next annual meeting of stockholders.

Notwithstanding the vesting schedules described above, the vesting of each Initial Award and each Annual Award will accelerate in full upon a change in control of the Company (as defined in our 2012 Equity Incentive Plan).

*Cash Compensation*

Our non-employee director compensation program provides that each year, each non-employee director will receive a cash retainer of \$30,000 for serving on our board of directors (the Annual Retainer). In addition to the Annual Retainer, the lead independent director would be entitled to an additional cash retainer of \$19,000.

The chairpersons and members of our board's three standing committees are entitled to the following cash retainers each year:

<b>Board Committee</b>	<b>Chairperson Retainer*</b>	<b>Member Retainer</b>
Audit Committee	\$20,000	\$8,000
Compensation Committee	12,000	5,000
Nominating and Governance Committee	7,500	4,000

\* No director who serves as chairperson of a committee is entitled to a member retainer for the same committee. All retainers in cash will be paid in four equal installments on a quarterly basis at the end of the applicable quarter, provided that the individual served as a non-employee director in the applicable capacity during the full quarter, with the amount pro-rated for any director who did not serve in the applicable capacity the full quarter (on either the board of directors and/or the relevant board committee).

*Hedging and Pledging Policy*

We have implemented an insider trading policy that prohibits our non-employee directors from trading in derivative securities (including hedging) with respect to our common stock, pledging Company securities as collateral, or holding company securities in a margin account.

*Stock Ownership Guidelines*

In February 2019, we adopted stock ownership guidelines that set minimum stock ownership requirements for our non-employee directors and executive officers (including our named executive officers), in order to more closely align their interests with the long-term interests of our stockholders. Under the guidelines, each non-employee director is required to own a number of shares of the Company's common stock with a value equal to at least five times the value of his or her annual retainer for service on the Board.

**PROPOSAL NO. 2****RATIFICATION OF APPOINTMENT OF****INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of the board of directors has appointed Grant Thornton LLP ( Grant Thornton ), independent registered public accountants, to audit our financial statements for the year ending December 31, 2019. During the year ended December 31, 2018, Grant Thornton served as our independent registered public accounting firm.

Notwithstanding its selection and even if our stockholders ratify the selection, our audit committee, in its discretion, may appoint another independent registered public accounting firm at any time during the year if the audit committee believes that such a change would be in the best interests of Qualys, Inc. and its stockholders. At the Annual Meeting, the stockholders are being asked to ratify the appointment of Grant Thornton as our independent registered public accounting firm for the year ending December 31, 2019. Our audit committee is submitting the selection of Grant Thornton to our stockholders because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate governance. Representatives of Grant Thornton will be present at the Annual Meeting, and they will have an opportunity to make statements and will be available to respond to appropriate questions from stockholders.

If the stockholders do not ratify the appointment of Grant Thornton, the board of directors may reconsider the appointment.

**Fees Paid to the Independent Registered Public Accounting Firm**

The following table presents fees for professional audit services and other services rendered to our company by Grant Thornton for the years ended December 31, 2017 and 2018.

	<b>2017</b>	<b>2018</b>
Audit Fees (1)	\$ 1,265,344	\$ 1,339,962
Audit-Related Fees (2)	214,785	131,315
	<b>\$ 1,480,129</b>	<b>\$ 1,471,277</b>

- (1) Audit fees consist of fees for professional services provided in connection with the audit of our annual consolidated financial statements and internal control over financial reporting, review of our quarterly consolidated financial statements and audit services provided in connection with other statutory and regulatory filings.
- (2) Audit-Related fees consist of fees for professional services provided in connection with the issuance of our Service Organization Control Report (SOC2), which provides assurance to our customers that we have adequate controls and safeguards over the processing of their data.

**Auditor Independence**

In 2018, there were no other professional services provided by Grant Thornton that would have required the audit committee to consider their compatibility with maintaining the independence of Grant Thornton.



**Audit Committee Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm**

Consistent with requirements of the SEC and the Public Company Oversight Board, or PCAOB, regarding auditor independence, our audit committee is responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. In recognition of this responsibility, our audit committee has established a policy for the pre-approval of all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services.

Before engagement of the independent registered public accounting firm for the next year's audit, the independent registered public accounting firm submits a detailed description of services expected to be rendered during that year for each of the following categories of services to the audit committee for approval:

*Audit services.* Audit services include work performed for the audit of our financial statements and internal control over financial reporting, the review of financial statements included in our quarterly reports, as well as work that is normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings.

*Audit-Related services.* Audit-Related services are for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not covered above under audit services.

*Tax services.* Tax services include all services performed by the independent registered public accounting firm's tax personnel for tax compliance, tax advice and tax planning.

*Other services.* Other services are those services not described in the other categories.

The audit committee pre-approves particular services or categories of services on a case-by-case basis. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the services must be pre-approved by the audit committee before the independent registered public accounting firm is engaged. Pre-approval fee levels or budgeted amounts for all services to be provided by the independent registered public accounting firm are established annually by the audit committee. Any proposed services exceeding these levels or amounts require specific pre-approval by the audit committee.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE  
APPOINTMENT OF GRANT THORNTON LLP.**

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## PROPOSAL NO. 3

### ADVISORY APPROVAL OF EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables stockholders to approve, on an advisory or non-binding basis, the compensation of our named executive officers as disclosed pursuant to Section 14A of the Exchange Act. This proposal, commonly known as a Say-on-Pay proposal, gives our stockholders the opportunity to express their views on our named executive officers' compensation as a whole. This vote is not intended to address any specific item of compensation or any specific named executive officer, but rather the overall compensation of all of our named executive officers and the philosophy, policies and practices described in this proxy statement.

The Say-on-Pay vote is advisory, and therefore is not binding on us, the compensation committee or our board of directors. The Say-on-Pay vote will, however, provide information to us regarding investor sentiment about our executive compensation philosophy, policies and practices, which the compensation committee will be able to consider when determining executive compensation for the remainder of the current fiscal year and beyond. Our board of directors and our compensation committee value the opinions of our stockholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will endeavor to communicate with stockholders to better understand the concerns that influenced the vote, consider our stockholders' concerns and the compensation committee will evaluate whether any actions are necessary to address those concerns.

We believe that the information provided in the Executive Compensation section of this proxy statement, and in particular the information discussed in Executive Compensation Compensation Discussion and Analysis Philosophy and Objectives beginning on page 27 below, demonstrates that our executive compensation program was designed appropriately and is working to ensure management's interests are aligned with our stockholders' interests to support long-term value creation. Accordingly, we ask our stockholders to vote FOR the following resolution at the Annual Meeting:

RESOLVED, that the stockholders approve, on an advisory basis, the compensation paid to the named executive officers, as disclosed in the proxy statement for the Annual Meeting pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, compensation tables and narrative discussion, and other related disclosure.

**Board Responsiveness:** Below is a summary of feedback we received from our stockholders during our 2018 outreach and changes we made to the pay program in response to stockholder concerns:

#### What we heard from stockholders

Multiple grants of long-term incentive compensation, which have a total value significantly above that of equity awards granted by members of our compensation peer group to similarly situated executives, should be avoided

A meaningful portion of long-term incentive compensation awards should be performance-based

The performance goals for our executives performance-based compensation should be based on

#### What we did

Granted only one annual equity award to our CEO in December 2018

54% of our CEO's target long-term incentive pay is in the form of performance-based restricted stock units (PRSUs)

Tied performance goals to revenue growth and profitability for performance periods beginning in 2019

operational metrics, rather than on our stock price



**What we heard from stockholders**

The time period for the measurement of performance-based equity awards should be at least three years

Additional compensation governance policies should be adopted and clearly disclosed

**What we did**

Structured PRSUs to be over a three-year period for performance periods beginning in 2019

Changed single-trigger change in control acceleration to double-trigger in new equity awards

Introduced stock ownership guidelines for executive officers and directors

Adopted a clawback policy for our current and former executive officers

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL,  
ON AN ADVISORY BASIS, OF THE EXECUTIVE COMPENSATION  
AS DESCRIBED IN THIS PROXY STATEMENT.**

## REPORT OF THE AUDIT COMMITTEE

The audit committee is a committee of the board of directors comprised solely of independent directors as required by the listing standards of the Nasdaq Stock Market and rules of the SEC. The audit committee operates under a written charter approved by the board of directors, which is available on our website at <http://investor.qualys.com>. The composition of the audit committee, the attributes of its members and the responsibilities of the audit committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. The audit committee reviews and assesses the adequacy of its charter and the audit committee's performance on an annual basis.

With respect to the financial reporting process of Qualys, Inc. (the Company), the management of the Company is responsible for (1) establishing and maintaining internal controls and (2) preparing the Company's consolidated financial statements. Grant Thornton LLP (Grant Thornton) is responsible for auditing these financial statements. It is the responsibility of the audit committee to oversee these activities. It is not the responsibility of the audit committee to prepare or certify our financial statements or guarantee the audits or reports of Grant Thornton. These are the fundamental responsibilities of management and Grant Thornton. In the performance of its oversight function, the audit committee has:

reviewed and discussed the audited financial statements with management and Grant Thornton;

discussed with Grant Thornton the matters required to be discussed by the statement on Auditing Standard No. 1301, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board; and

received the written disclosures and the letter from Grant Thornton required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with Grant Thornton its independence.

Based on the audit committee's review and discussions with management and Grant Thornton, the audit committee recommended to the board of directors that the audited financial statements be included in the annual report on Form 10-K for the year ended December 31, 2018 for filing with the Securities and Exchange Commission.

Respectfully submitted by the members of the audit committee of the board of directors:

Jeffrey P. Hank (Chair)

Sandra E. Bergeron

Jason Ream

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## EXECUTIVE OFFICERS

The following table identifies certain information about our executive officers as of April 22, 2019. Officers are elected by the board of directors to hold office until their successors are elected and qualified.

Name	Age	Position
Philippe F. Courtot	74	Chairman, President and Chief Executive Officer
Melissa B. Fisher	46	Chief Financial Officer
Bruce K. Posey	67	Vice President, General Counsel and Corporate Secretary
Sumedh S. Thakar	43	Chief Product Officer

*Philippe F. Courtot* is also a director of our company. Please see the section titled *Board of Directors and Corporate Governance* for his biography.

*Melissa B. Fisher* has served as our Chief Financial Officer since April 2016. Ms. Fisher joined us from Zynga Inc., a developer of social games, where she served as the Vice President of Financial Planning and Analysis, Investor Relations and Treasury from April 2015 to April 2016. Ms. Fisher previously served as Vice President of Corporate Development, Investor Relations and Treasury of Digital River, Inc., a global provider of enterprise e-commerce SaaS solutions, from July 2013 to March 2015. Ms. Fisher spent the earlier parts of her career at various investment banks including Banc of America Securities and Goldman, Sachs & Co. Ms. Fisher currently serves as a director of Model N, Inc., and previously served as a director of Digital Generation, Inc. and Image Sensing Systems, Inc. Ms. Fisher holds a Bachelor of Arts degree in Government from Harvard University and a Masters of Business Administration degree from the Harvard Graduate School of Business Administration.

*Bruce K. Posey* has served as our Vice President and General Counsel since May 2012, and has been our Corporate Secretary since June 2012. From December 2011 to May 2012, Mr. Posey served as Senior Vice President, General Counsel and Corporate Secretary of IntelPeer, Inc. From January 2009 to December 2011, Mr. Posey served as Senior Vice President, General Counsel and Corporate Secretary at Openwave Systems, Inc. From July 2002 to January 2009, Mr. Posey served as Senior Vice President, General Counsel and Corporate Secretary at iPass. Mr. Posey holds a Bachelor of Science degree from the University of Oregon and a Juris Doctor degree from the University of Michigan Law School.

*Sumedh S. Thakar* has served as our Chief Product Officer since June 2014. Before that, beginning in December 2010, Mr. Thakar served as our Vice President, Engineering. Mr. Thakar joined us in February 2003 and has held various positions with us since that time, including Principal Engineer, Engineering Manager and Director of Engineering. Mr. Thakar holds a Bachelor of Science degree from the University of Pune, India.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides an overview of the material components of our executive compensation program. The following executive officers are collectively referred to in this Compensation Discussion and Analysis and the accompanying compensation tables as the named executive officers :

<b>Name</b>	<b>Position</b>
Philippe F. Courtot	Chairman, President and Chief Executive Officer
Melissa B. Fisher	Chief Financial Officer
Bruce K. Posey	Vice President, General Counsel and Corporate Secretary
Sumedh S. Thakar	Chief Product Officer
Amer Deeba	Former Chief Commercial Officer

Mr. Deeba resigned from his position with us, effective August 2, 2018.

### Overview

#### *Good Pay and Governance Practices*

We maintain the following good executive pay and corporate governance policies and practices:

#### **What we do**

*We balance near- and long-term strategic objectives by providing a mix of cash and equity incentives*

*We have caps on all executive non-equity incentive awards*

*A substantial portion of our CEO's 2019 equity award was performance-based equity and the shares underlying this award must be held (net of taxes) for three years from the award's grant date (i.e. until all performance periods have concluded)*

*We audit our incentive plan processes, results, and payments on a regular basis*

*We hold an annual stockholder advisory vote to approve our named executive officers' compensation and we engage with stockholders and respond to their feedback on our executive compensation programs*

*We adopted stock ownership guidelines for our non-employee directors and executive officers*

*We adopted a clawback policy for our former and current executive officers*

*We prohibit hedging and pledging of our common stock by our named executive officers and non-employee directors*

*Our compensation committee is made up solely of independent directors and makes all executive compensation decisions*

*We review our compensation committee charter on a regular basis*

#### **What we don't do**

× *We do not offer tax gross-ups to any of our named executive officers*

× *We do not pay dividends on unvested equity awards*

× *We do not offer special executive retirement plans to our named executive officers or other executives*

× *We do not provide our named executive officers with perquisites beyond what all employees receive*

× *We do not guarantee salary increases for our named executive officers*

## Philosophy and Objectives

Our compensation philosophy is to provide programs that attract and retain the best available personnel for positions of substantial responsibility, provide incentives for such persons to perform to the best of their abilities, and to promote the success of our business. The following table identifies the main elements of our executive compensation program and the reason we chose to provide each:

### Element of Compensation

Base Salary

Non-Equity Incentive Plan Compensation

Equity Compensation

Non-Cash and Non-Equity Benefits

Change in Control and Severance Payments and Benefits

### Overview of Stockholder Engagement Process

#### Engagement Prior to Annual Meeting

Seek feedback on matters for stockholder consideration

Publish annual report and proxy statement, highlighting recent Board and Company activities

#### Off-season Engagement and Evaluation of Best Practices

Engage with stockholders and other stakeholders to better understand their viewpoints and inform discussions in the boardroom

Evaluate potential changes to environmental, social, governance and executive compensation practices in light of stockholder feedback and review of practices

### Basis for Providing Element

To provide compensation to our named executive officers for services based on their experience and past performance

To motivate and reward our named executive officers for focusing on individual and company objectives that drive increased stockholder value

To align our named executive officers' interests with the long-term interests of our stockholders and to promote the retention of our named executive officers

To provide for the safety and wellness of our named executive officers

To promote the retention of our named executive officers

#### Annual Meeting

Provide environment for direct engagement among Board members, senior management, and stockholders

Opportunity for stockholders to ask questions about the Company

Determine voting results for management and stockholder proposals

#### Post Annual Meeting

Discuss vote outcomes in light of existing practices, as well as feedback received from stockholders during the proxy season

Review corporate governance trends, recent regulatory developments and the Company's own corporate governance documents, policies and procedures

Determine topics for discussion during off-season  
stockholder engagement

## **Stockholder Engagement and Results of Stockholder Advisory Vote on Executive Compensation**

In 2018, our Say on Pay proposal received 38% support, which was significantly below our expectations. As a result of this vote outcome, the compensation committee and management embarked on an extensive stockholder outreach initiative and a comprehensive review of our executive compensation program.

In addition to our ongoing dialogue with our stockholders on our strategy and value proposition, in June and September 2018, we reached out to our top 21 stockholders, who held approximately 55% of our outstanding stock (or 64% excluding stock held by Mr. Courtot) as of June 30, 2018, to discuss matters such as the magnitude and composition of executive compensation as well as other governance initiatives. We spoke with 13 stockholders, who held approximately 41% of our outstanding stock (or 48% excluding stock held by Mr. Courtot) as of June 30, 2018.

We have listened to stockholder concerns about our pay and governance plans and programs and have considered their feedback in our planning process. In response to stockholder input, we made appropriate changes to our compensation programs for 2019 to further align executive pay with shareholder interests and long-term value creation.

**Our outreach included 21 stockholders, who held 64% of our outstanding stock**

**(excluding shares held by Philippe Courtot) as of June 30, 2018**

**Board Responsiveness:** Below is a summary of feedback we received from our stockholders after our 2018 outreach and the Board's response

### **What we heard from stockholders**

Multiple grants of long-term incentive compensation, which have a total value significantly above that of equity awards granted by members of our compensation peer group to similarly situated executives, should be avoided

A meaningful portion of long-term incentive compensation awards should be performance-based

### **What we did**

Granted only one annual equity award to our CEO in December 2018

54% of our CEO's target long-term incentive pay is in the form of performance-based restricted stock units (PRSU's)



**What we heard from stockholders**

The performance goals for our executives performance-based compensation should be based on operational metrics, rather than on our stock price

The time period for the measurement of performance-based equity awards should be at least three years

Additional compensation governance policies should be adopted and clearly disclosed

**What we did**

Tied performance goals to revenue growth and profitability for performance periods beginning in 2019

Structured PRSUs to be over a three-year period for performance periods beginning in 2019

Changed single-trigger change in control acceleration to double-trigger in new equity awards

Introduced stock ownership guidelines for executive officers and directors

Adopted a clawback policy for our current and former executive officers

**Below are additional details on the changes we implemented**

1. **Returned to granting only one annual equity award to our CEO.** We granted Mr. Courtot an award with an intended value of \$9.25 million in December 2018 at target levels of performance (or \$14.25 million at maximum levels of performance).
2. **Introduced performance goals for a significant portion of our CEO's long-term incentive pay.** We adjusted the long-term incentive pay mix for Mr. Courtot, from 100% time-based restricted stock units ( RSUs ) in 2018 to a mix of 54% performance-based restricted stock units ( PRSUs ) and 46% RSUs at target levels of performance (or 70% PRSUs and 30% RSUs at maximum levels of performance) in 2019.
3. **Structured our CEO's PRSUs to be long-term focused.** Mr. Courtot's PRSUs are divided into two tranches. The first tranche will vest based on the achievement of specified performance goals for the three-year period from January 2019 through December 2021. The second tranche will vest in three annual increments, each based on the achievement of specified performance goals for such increment, with any shares issued in settlement of these vested PRSUs required to be held (net of taxes) until the final vesting period is completed.
4. **Tied performance goals to operational targets (revenue growth and profitability).** To create long-term stockholder value, the first tranche of PRSUs will vest based on achievement of goals related to the compound annual growth rate of revenues for a three-year period from January 2019 through December 2021 ( Revenue CAGR ) and adjusted EBITDA margin for the 2021 fiscal year, conditioned on Mr. Courtot's continuation as CEO through the date that performance is certified. These performance targets were aligned with external 2021 targets provided by management. The second tranche of PRSUs will vest in three annual increments based on the achievement of goals related to revenue growth and adjusted EBITDA margin for each of the 2019, 2020, and 2021 fiscal years, conditioned on Mr. Courtot's continuation as CEO through the

date that performance is certified for the relevant increment.

5. **Changed our CEO s change-in-control vesting acceleration provision from single-trigger to double-trigger for annual equity grants.** The equity awards granted to Mr. Courtot before 2018 include single-trigger vesting acceleration provisions whereby following a change of control, Mr. Courtot would receive 100% vesting acceleration of these equity awards, subject to his continued service through the transaction. For his equity award granted in 2018, we changed the vesting acceleration benefit to a double-trigger provision, whereby he receives accelerated vesting only if his employment (i) is terminated by reason of

death or disability or (ii) is terminated by the Company for reasons other than cause or good reason within 12 months following a change in control.

6. **Introduced stock ownership guidelines for non-employee directors and executive officers.** We adopted stock ownership guidelines that require (i) each of our non-employee directors to own a number of shares of our common stock with a value equal to at least five times the value of his or her annual retainer, (ii) our CEO to own a number of shares of our common stock with a value equal to at least five times his or her annual base salary, and (iii) each of our other executive officers to own a number of shares of our common stock with a value equal to at least three times his or her annual base salary.
  
7. **Adopted a clawback policy for our current and former officers.** The clawback policy requires that any current or former officer repay certain cash-based incentive compensation or performance-based equity compensation to us if our compensation committee determines his or her actions caused or partially caused us to materially restate all or a portion of our financial statements.

### **2019 Stockholder Engagement**

In 2019, we have reached out to our top 24 stockholders, who held approximately 59% of our outstanding stock (or 69% excluding stock held by Mr. Courtot) as of December 31, 2018, to discuss the changes we had implemented for our 2019 compensation programs and other governance initiatives. To date in 2019, we spoke with 14 stockholders (who held approximately 42% of our outstanding stock (or 49% excluding stock held by Mr. Courtot) as of December 31, 2018).

**Our outreach included 24 stockholders, who held 69% of our outstanding stock  
(excluding shares held by Philippe Courtot) as of December 31, 2018**

These stockholders noted their support for the following changes:

1. Our introduction of PRSUs with a three-year performance period as a component of our CEO's long-term incentive compensation.
  
2. The PRSU targets of revenue growth and profitability.
  
3. Our introduction of double-trigger vesting acceleration for our CEO's annual equity award to replace prior single-trigger vesting acceleration upon a change in control.

4. Our new corporate governance initiatives, such as our adoption of Stock Ownership Guidelines for our non-employee directors and executive officers and a robust clawback policy for certain cash-based incentive compensation and performance-based equity compensation paid to our current or former officers.

*Business Highlights*

We are a pioneer and leading provider of cloud-based security and compliance solutions that enable organizations to identify security risks to their IT infrastructures, help protect their IT systems and applications from ever-evolving cyber-attacks and achieve compliance with internal policies and external regulations. Our cloud solutions address the growing security and compliance complexities and risks that are amplified by the dissolving boundaries between internal and external IT infrastructures and web environments, the rapid adoption of cloud computing and the proliferation of geographically dispersed IT assets.

IT infrastructures are more complex and globally-distributed today than ever before, as organizations of all sizes increasingly rely upon a myriad of interconnected information systems and related IT assets, such as servers, databases, web applications, routers, switches, desktops, laptops, other physical and virtual infrastructure, and numerous external networks and cloud services. The predominant approach to IT security has been to implement multiple disparate security products that can be costly and difficult to deploy, integrate and manage and may not adequately protect organizations. As a result, we believe there is a large and growing opportunity for comprehensive cloud-based security and compliance solutions.

We intend to leverage our innovation, extensive expertise and position as a trusted provider of cloud-based security and compliance solutions to continue to grow our revenues and maintain strong profitability. In 2018, we continued our strong financial performance, including achieving the significant financial results set forth in the bullets and graphics below:

The price of our common stock increased by 26% to \$74.74 per share on December 31, 2018, as compared to \$59.35 per share on December 29, 2017;

Revenues increased by 21% to \$278.9 million, as compared to \$230.8 million in 2017;

Net income increased by 42% to \$57.3 million, as compared to \$40.4 million in 2017;

Non-GAAP Net income increased by 68% to \$73.4 million, as compared to \$43.7 million in 2017;

EPS increased by 36% to \$1.37, as compared to \$1.01 in 2017;

Non-GAAP EPS increased by 61% to \$1.75, as compared to \$1.09 in 2017; and

Adjusted EBITDA (a non-GAAP financial measure) increased by 32% to \$112.4 million, which represents 40% of our 2018 revenues, as compared to \$84.9 million in 2017, which represents 37% of our 2017 revenues.

\* The reconciliation of net income to Adjusted EBITDA is set forth in the section entitled *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K filed with the SEC on February 27, 2019.

### **2018 TSR Performance**

Consistent with our pay-for-performance philosophy, our non-equity incentive plan pays cash compensation based on achievement of bookings, revenue growth and non-GAAP EPS. The compensation committee selected these three metrics, which measure sales growth and profitability, as the corporate performance metrics that best support our annual operating plan and enhanced long-term value creation. In 2018, the non-equity incentive plan paid out at 76.2% of target; non-GAAP EPS targets were exceeded but achievement on bookings and revenue growth was below the targets.

## Compensation-Setting Process

### *Role of the Compensation Committee*

Our compensation committee operates under a written charter adopted by the committee and approved by our board of directors. The charter is available on our website. Each member of our compensation committee qualifies as (i) an independent director under the Nasdaq Stock Market requirements, and (ii) a non-employee director under Rule 16b-3 of the Exchange Act of 1934.

Our compensation committee oversees our overall compensation philosophy, compensation plans, and benefits programs. Our compensation committee is responsible for reviewing, approving, and administering our annual and long-term incentive compensation plans and our employee benefit plans and for administering our equity incentive plans.

To this end, our compensation committee establishes the performance objectives and certifies the performance achievement under our annual and long-term incentive compensation plans and approves the grant of equity awards under our equity incentive plans. Our compensation committee also reviews on a periodic basis the operations of our executive compensation program to determine whether they are properly coordinated and achieving their intended purposes. If our compensation committee determines that any aspect of our executive compensation program yields payments and benefits that are not reasonably related to executive and corporate performance, the committee may take steps to modify the program.

Our compensation committee has the authority to engage independent outside consultants and obtain input from our management team, other employees, and external advisers. In 2018, our compensation committee engaged Compensia, Inc., or Compensia, a third party compensation consultant, to assist us with respect to the compensation of our executive officers, including our named executive officers.

### *Role of Compensation Consultant*

In 2018, Compensia provided data on the compensation provided to executives in our compensation peer group and the market in general. The compensation peer group is selected on the basis of relevant industry, size, location and comparability of the business. This data was considered by our compensation committee in setting executive compensation in 2018. This process involved Compensia analyzing, reviewing and making recommendations to our compensation committee regarding (i) the compensation peer group and (ii) various elements of our executive compensation program based on a comparison of the base salary, target total cash compensation (i.e., base salary plus non-equity incentive plan compensation), annual long-term incentive values, and target total direct compensation (i.e., target total cash compensation plus equity awards) we provide to our named executive officers against that provided by our compensation peer group to similarly situated executives. In 2018, Compensia did not provide any services to us or receive any payments from us, except in its capacity as a consultant to our compensation committee. Based on the consideration of the various factors as set forth in the rules of the SEC and the Nasdaq Stock Market, our compensation committee believes that its relationship with Compensia and the work of Compensia on behalf of the committee has not raised any conflicts of interest.

Effective February 2019, our compensation committee engaged Mercer (US) Inc. (Mercer), to provide advice and recommendations on executive officer and board of director compensation programs on a go-forward basis. Our engagement with Mercer includes substantially similar services as previously provided by Compensia, as noted above, and also includes support in refining our compensation programs to respond to the feedback we received from our stockholders in 2018.





In 2018, Mercer did not provide any services to us or receive any payments from us. Based on the consideration of the various factors set forth in the rules of the SEC and the Nasdaq Stock Market, our compensation committee believes that its relationship with Mercer and the work of Mercer on behalf of the committee has not raised any conflicts of interest.

*Role of Management*

During 2018, Ms. Fisher, Mr. Posey, and Rima Touma-Bruno, our Chief Human Resources Officer, typically attended our compensation committee's meetings. Our compensation committee may invite to its meetings any other person that it deems appropriate. No named executive officer attends the portions of a meeting during which decisions regarding his or her compensation are made.

**Peer Companies**

With the assistance of Compensia, our compensation committee approved a list of peer companies for the committee to use in conducting a competitive market analysis of executive officer compensation. To represent the market in which we compete for talent we consider four primary company characteristics in determining the peer group each year:

1. Size: Similarly-sized publicly-traded companies in terms of annual revenue and market capitalization.
2. Industry: Software, Internet Software & Services, and Technology Hardware & Equipment GICS sub-industry.
3. Growth: Companies with strong revenue growth and high market capitalization to revenue ratios.
4. Location: Primarily companies in Northern California.

The following is a list of the public companies that our compensation committee approved as our compensation peer group in September 2017 and that was used to set 2018 compensation:

<b>Compensation Peer Group</b>		
Barracuda Networks, Inc.	Imperva Inc.	Q2 Holdings, Inc.
Callidus Software Inc.	LogMeIn, Inc.	Rapid7, Inc.
Ellie Mae, Inc.	MINDBODY, Inc.	SecureWorks Corp.
FireEye Inc.	MuleSoft, Inc.	Splunk Inc.
Five9, Inc.	Palo Alto Networks	SPS Commerce, Inc.
Gigamon Inc.	Proofpoint, Inc.	Varonis Systems, Inc.

With the assistance of Compensia, our compensation committee updated the compensation peer group in July 2018 to remove the companies no longer public, and reapply our peer group selection criteria given our continued growth and performance. This resulted in adding five new peer companies to the group and removing four companies. The following is a list of the public companies that our compensation committee approved as our compensation peer group in July 2018 that was used to set compensation for 2019:

**Compensation Peer Group**

AppFolio, Inc.	LogMeIn, Inc.	Rapid7, Inc.
Ellie Mae, Inc.	MINDBODY, Inc.	SecureWorks Corp.
FireEye Inc.	New Relic	Splunk Inc.
Five9, Inc.	Palo Alto Networks	SPS Commerce, Inc.
Hortonworks, Inc.	Proofpoint, Inc.	Varonis Systems, Inc.
HubSpot, Inc.	Q2 Holdings, Inc.	Zendesk, Inc.
Imperva Inc.		
<i>Use of Peer Data</i>		

Our compensation committee uses the compensation peer group and market data provided by Compensia (including custom cuts of survey data from Radford) to obtain a general understanding of compensation practices within our compensation peer group and the market in general. In setting the various elements of compensation for the named executive officers, our compensation committee reviewed base salary, target total cash compensation (i.e., base salary plus non-equity incentive plan compensation), annual long-term incentive values, and target total direct compensation (i.e., target total cash compensation plus equity incentives). We believe that considering these measures was important because it allows us to provide compensation that, as a complete package, is appropriate for each named executive officer.

**Pay Mix**

As shown in the charts below, a significant portion of the target total direct compensation for the named executive officers that remained employed with us through the end of fiscal 2018 is at-risk variable pay (96.3% for the CEO and 93.1% for the NEOs other than Messrs. Courtot and Deeba). For the chart showing the target total direct compensation of the named executive officers (other than Messrs. Courtot and Deeba), each figure was separately calculated for each named executive officer, and the percentages shown in the chart represent the average of the figures for the three named executive officers.

**CEO  
2018 TARGET COMPENSATION STRUCTURE**

**NEOS (OTHER THAN MESSRS. COURTOT AND  
DEEBA) AVERAGE 2018 TARGET  
COMPENSATION STRUCTURE**

**Executive Compensation Program Components**

The following sections describe each component of our executive compensation program, provide the rationale for each component, and explain how the compensation amounts and awards were determined for 2018.

*Base Salary*

Base salary is the primary fixed component of our named executive officers' compensation. We use base salary to compensate our named executive officers for services rendered during the fiscal year and to ensure that we remain competitive in attracting and retaining executive talent. A named executive officer's base salary at hire is determined through arm's length negotiation. Our compensation committee typically reviews and considers adjustments to our named executive officers' base salaries on an annual basis. When doing so, our compensation committee takes into account factors such as the named executive officer's experience, skills, knowledge, responsibilities, and performance and the prevailing market conditions.

Our compensation committee reviewed our executive compensation program, including base salary for our named executive officers. The committee evaluated the peer group compensation data provided by Compensia and other relevant factors, and determined, based on its judgment, that similar to 2017, no adjustments to the base salaries of our named executive officers should be made. Each named executive officer's base salary during 2018 is listed in the table below.

Named Executive Officer	Base Salary for 2017	Base Salary for 2018	% Change
Philippe F. Courtot	\$ 375,000	\$ 375,000	0%
Melissa B. Fisher	325,000	325,000	0%
Bruce K. Posey	275,000	275,000	0%
Sumedh S. Thakar	325,000	325,000	0%
Amer Deeba	300,000	300,000	0%

The total base salaries paid to our named executive officers during 2018 are set forth in the section entitled *2018 Summary Compensation Table* below.

#### *Non-Equity Incentive Plan Compensation*

To motivate and reward our named executive officers to achieve our annual financial and operational objectives and our long-term strategic and growth goals, we provide cash incentive compensation to them based on meeting one or more corporate performance objectives. The objectives change from year to year as we grow and market conditions evolve and different priorities are established, but our compensation committee selects challenging goals that are achievable only by strong performance.

Our named executive officers participated in our 2018 Corporate Bonus Plan, which provides them with an opportunity to receive formula-based incentive amounts on a quarterly basis. Our compensation committee decided this was the most appropriate measure of time to determine achievement of short-term goals because it aligns with the time periods for which we give external guidance. Our named executive officers' target bonus opportunities under the 2018 Corporate Bonus Plan are expressed as percentages of their base salaries as of the last day of the applicable quarter. For 2018, these percentages remained unchanged from 2017 and 2016, and the performance metrics used to determine bonuses continued to be (i) growth in our bookings for the applicable quarter over the same quarter of the prior year, (ii) growth in revenue from the same quarter in 2017 and (iii) non-GAAP earnings per diluted share, with all three metrics weighted equally. Our compensation committee selected these three metrics, which measure sales growth and profitability, as the corporate performance metrics that best supported our annual operating plan and enhanced long-term value creation.

These three metrics were calculated as follows:

Bookings was calculated as the sum of subscribed revenues for all new, renewal and upsell subscriptions contracted by customers and channel partners in each quarter. The subscribed revenues were based on the amount of subscription contracted if the term is one year or less, and were capped at one year's worth of subscribed revenues if the subscription term exceeds one year. The bookings growth measure is an internal measure and is a non-GAAP financial measure.

Revenue was determined in accordance with GAAP and set forth in our quarterly and annual financial statements.

Non-GAAP earnings per diluted share measure was calculated as GAAP net income less stock-based compensation expense, acquisition-related expenses (except for ordinary course advisory fees), and non-recurring charges under the 2018 Corporate Bonus Plan, divided by weighted average shares (diluted) for the applicable quarter.

For each of the three metrics, performance may be adjusted to remove the effects of charges for restructurings, discontinued operations, extraordinary items and all items of gain, loss or expense determined to be extraordinary or unusual in nature or related to the disposal of a segment of a business or related to a change in accounting principle, asset write-downs, litigation, claims, judgments or settlements, the effect of changes in tax law or other such laws or provisions affecting reported results, accruals for reorganization and restructuring programs. These exclusions are intended so that performance could be evaluated on organic foreseeable results rather than extraordinary transactions outside the scope of the compensation committee's forecasts. No adjustments were made in 2018.

For 2018, each named executive officer's target bonus opportunity (expressed as a percentage of his or her base salary in the applicable quarter) remained unchanged from 2017 and is listed in the table below. Each named executive officer's target bonus opportunity represents the maximum amount that the named executive officer could receive under the 2018 Corporate Bonus Plan.

<b>Named Executive Officer</b>	<b>Target (and Maximum) Bonus for 2018</b>
Philippe F. Courtot	100%
Melissa B. Fisher	50%
Bruce K. Posey	50%
Sumedh S. Thakar	50%
Amer Deeba	50%

The target award amounts for our named executive officers in each quarter of 2018 were as follows:

#### 2018 Corporate Bonus Plan Target Awards

<b>Named Executive Officer</b>	<b>Q1 Target</b>	<b>Q2 Target</b>	<b>Q3 Target</b>	<b>Q4 Target</b>	<b>Total Target</b>
Philippe F. Courtot	\$ 93,750	\$ 93,750	\$ 93,750	\$ 93,750	\$ 375,000
Melissa B. Fisher	40,625	40,625	40,625	40,625	162,500
Bruce K. Posey	34,375	34,375	34,375	34,375	137,500
Sumedh S. Thakar	40,625	40,625	40,625	40,625	162,500
Amer Deeba	37,500	37,500	37,500	37,500	150,000

Each named executive officer's bonus is paid as a percentage of his or her target incentive amount based on the weighted average of the payout percentages for each applicable measure. To be eligible for a quarterly bonus payment under our 2018 Corporate Bonus Plan, an individual must be employed as of the last day of the quarter.

Based on the achievement against the applicable performance measures discussed below, the quarterly and aggregate actual amounts awarded for 2018 to our named executive officers were as follows:

#### 2018 Corporate Bonus Plan Actual Award Amount

<b>Named Executive Officer</b>	<b>Q1 Award Amount</b>	<b>Q2 Award Amount</b>	<b>Q3 Award Amount</b>	<b>Q4 Award Amount</b>	<b>Total Amount</b>
Philippe F. Courtot	\$ 92,587	\$ 85,084	\$ 57,098	\$ 50,984	\$ 285,753

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Melissa B. Fisher	40,121	36,870	24,742	22,093	123,826
Bruce K. Posey	33,948	31,198	20,936	18,694	104,776
Sumedh S. Thakar	40,121	36,870	24,742	22,093	123,826
Amer Deeba	37,035	34,034	*	*	71,068**

\* Mr. Deeba resigned from his position effective August 2, 2018.

\*\* The total amount does not equal the sum of the quarterly payouts due to rounding.

For each of the three equally-weighted measures, the payout percentage was capped at 100%. Our compensation committee believed that achieving the top end of the targets would be sufficiently challenging and incentivize top end performance.

	Q1			Q2			Q3			Q4		
	Target	Actual	Payout	Target	Actual	Payout	Target	Actual	Payout	Target	Actual	Payout
Bookings												
Growth	24.8%	*	96.4%	23.8%	*	72.3%	24.3%	*	0%	25.7%	*	0%
Rev												
Growth	21.8%	22.2%	100%	23.2%	23.3%	100.0%	21.7%	20.5%	83%	22.0%	18.0%	63%
Non-GAAP												
EPS	\$ 0.36	\$ 0.36	100%	\$ 0.33	\$ 0.39	100.0%	\$ 0.40	\$ 0.49	100%	\$ 0.42	\$ 0.51	100%
Weighted												
Payout			98.8%			90.8%			60.9%			54.4%

\* With respect to actual bookings growth rate, as noted above, this is an internal measure that we do not disclose for several reasons, including our belief that disclosure would result in competitive harm to the Company. If the results were disclosed, we believe the information would provide competitors with insights into our operations and sales compensations programs that would be harmful to us.

### ***Equity Compensation***

We use equity awards to incentivize and reward strong long-term corporate performance and to align the interests of our named executive officers with those of our stockholders. In 2018, we issued equity in the form of restricted stock units. Time-based restricted stock units serve to retain executive officers over a long-term period and align with our objective of long-term shareholder value creation. Time-based restricted stock units ( RSUs ) have a lesser dilutive effect than stock options and provide a floor of certain value delivered even if the stock price declines (as an RSU would never be out of the money, unlike stock options). Performance-based restricted stock units ( PRSUs ) serve to incentivize management to achieve specific operational goals which also drive long-term shareholder value creation.

On an annual basis, we evaluate granting equity awards to our named executive officers to provide additional incentive to continue providing services to us. In 2017, we moved the timeframe from the spring to the fall so that the equity awards could be factored into our annual forward-looking guidance to our common stockholders. In 2018, we issued equity in the form of RSUs. When determining the size of these equity awards, we generally do not apply a fixed formula. Instead, we aim to maximize long-term stockholder value by granting an amount of equity that properly rewards the named executive officer for his or her contribution to the growth in such value, and we therefore take into consideration factors such as:

the named executive officer's performance, contributions, responsibilities, and experience;



the equity held by the named executive officer (including the economic value of his or her unvested equity awards and the ability of this equity to satisfy our retention objectives);

a compensation analysis performed by our human resources department and/or our independent compensation consultant;

compensation peer group and market data provided by our independent compensation consultant;

the equity award recommendations of management;

and internal equity considerations.

We also periodically grant equity awards to new executive hires and to our named executive officers to recognize corporate and individual performance or in connection with a promotion, see Special Equity Awards below. The size of equity awards granted to our named executive officers in connection with their hire is determined through arm's-length negotiation. We consider factors such as the named executive officer's prospective role and responsibilities, the cash compensation the named executive officer is expected to receive, the potential incentive and retention value of the award, and the prevailing market conditions.

The equity awards granted to our named executive officers in 2018 are set forth in the sections entitled *2018 Summary Compensation Table* and *Grants of Plan-Based Awards in 2018 Table* below.

### ***Annual Equity Grants***

#### *Ms. Fisher and Messrs. Posey and Thakar*

In 2018, our compensation committee determined that the equity awards for 2019 to be granted to our named executive officers (other than Messrs. Courtot and Deeba) should be in the form of time-based RSUs because they have a less dilutive effect than stock options and provide the named executive officers with a floor of certain value delivered even if the stock price declines (an RSU would never be out of the money, while a stock option could be). These time-based RSUs vest over four years and serve to retain executive officers over a long-term period and align with our objective of long-term shareholder value creation. The independent members of our board of directors approved the equity awards to these named executive officers in October 2018.

The vesting of the RSUs granted to our named executive officers is subject to the applicable named executive officer's continued service with us as of each vesting date. In addition, the vesting of these RSUs would accelerate upon the occurrence of certain specified events, as described in the section entitled *Potential Payments upon Termination or Change in Control* in this proxy statement. The number of shares of our common stock covered by these RSUs and their intended value at the time of grant is listed in the table below.

<b>Named Executive Officer</b>	<b>Intended Value</b>	
	<b>October RSUs</b>	<b>of October RSUs</b>
Melissa B. Fisher	40,667	\$3,438,000
Bruce K. Posey	23,468	1,984,000
Sumedh S. Thakar	67,104	5,673,000

#### *Mr. Courtot*

Based on the feedback from our stockholders, our compensation committee determined that the equity award to be granted to Mr. Courtot should be a mix of time-based RSUs and performance-based restricted stock units ( PRSUs ). The independent members of our board of directors approved the equity award to Mr. Courtot in December 2018.

*Time-based RSUs:* The vesting of the time-based RSUs granted to Mr. Courtot is subject to his continued service with us as of each vesting date. These time-based RSUs vest over four years and serve to retain executive officers over a long-term period and align with our objective of long-term shareholder value creation.

*Performance-based RSUs:* The vesting of the PRSUs granted to Mr. Courtot is subject to the achievement of certain revenue and profitability targets and his continued service with us, as described further below. Based on the feedback from our stockholders that the performance period for



performance-based equity awards should be at least three years, our board of directors divided Mr. Courtot's PRSUs into two tranches:

The first tranche (covering 33,089 of the target number of PRSUs) will vest based on Revenue CAGR for a three-year period from January 2019 through December 2021 and adjusted EBITDA margin for the 2021 fiscal year, conditioned on Mr. Courtot's continued status as CEO through the date that performance is certified. These performance targets were aligned with external 2021 targets provided by management to investors, specifically in 2021, year over year revenue growth percent of low 20s to mid 20s and adjusted EBITDA margins of 40% to 42%.

The second tranche (covering 33,088 of the target number of PRSUs) will vest in three annual increments based on the achievement of goals related to revenue growth and adjusted EBITDA margin for each of the 2019, 2020, and 2021 fiscal years, conditioned on Mr. Courtot's continued status as CEO through the date that performance is certified. The 2019 revenue growth and adjusted EBITDA margin goals are higher than the 2019 annual guidance provided to investors.

In addition, the vesting of the time-based RSUs and the PRSUs granted to Mr. Courtot would accelerate upon the occurrence of certain specified events, as described in the section entitled *Potential Payments upon Termination or Change in Control* contained in this proxy statement. The number of shares of our common stock covered by these time-based RSUs and PRSUs and their intended value at the time of grant is listed in the table below.

Named Executive Officer	Time-Based RSUs	Intended Value of Time-Based RSUs	PRSUs at Target Level of Performance	Intended Value	Intended Value	Intended Value
				of PRSUs at Target Level of Performance	of PRSUs at Maximum Level of Performance	of PRSUs at Maximum Level of Performance
Philippe F. Courtot	56,250	\$4,250,000	66,177	\$5,000,000	132,354	\$10,000,000

For each of the equity awards granted to our named executive officers in 2018, the intended value of each equity award was translated into a number of shares by dividing the dollar amount by the average of the closing prices of our common stock for the 30 trading days ending one week before the date of grant.

*Mr. Deeba*

We did not grant Mr. Deeba any equity awards in 2018 due to his resignation.

### ***Special Equity Grants***

Outside of the ordinary course annual grant process, in July 2018, our compensation committee approved special bonus RSU grants to Mr. Posey and Mr. Thakar, as described below. The intent of these grants was to serve as a one-time special bonus to each of these named executive officers in recognition of significant growth milestones that the company achieved, including reaching 1,000 employees worldwide, growth in the price of our stock and broadening of product offerings, and the respective named executive officer's role in achieving these successes. While our compensation committee does not make off-cycle grants as a general matter, it thought that these grants would provide immediate retention, motivation, and recognition. These special bonus grants vested over a period of two years (which is shorter than the vesting period for their annual grants), given the special recognition nature of the grants.

<b>Named Executive Officer</b>	<b>July RSUs</b>	<b>Intended Value of July RSUs</b>
Bruce K. Posey	4,442	\$ 400,000
Sumedh S. Thakar	5,552	500,000

### *Retirement and Other Benefits*

Our named executive officers participate in the same retirement plan as other U.S.-based full-time employees. We maintain a tax-qualified retirement plan that provides eligible employees with an opportunity to save for retirement on a tax advantaged basis. All participants' interests in their deferrals are 100% vested when contributed. We match 50% on the dollar up to the first 6% contributed with no vesting period, for our employees, including our named executive officers. Pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. The 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Internal Revenue Code (the "Code"). As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan, and all contributions are deductible by us when made.

In addition, our named executive officers are entitled to participate in the same employee benefit plans, and on the same terms and conditions, as our other U.S.-based, full-time employees. These benefits include health, dental and vision insurance; medical and dependent care flexible spending accounts; short- and long-term disability insurance; life insurance; and accidental death and dismemberment insurance. We believe these benefits are generally consistent with those offered by companies with which we compete for employees.

### *Perquisites and Other Personal Benefits*

We generally do not provide perquisites or other personal benefits to our named executive officers. In 2018, we made a one-time payment on behalf of Mr. Courtot to cover the cost associated with a filing required to be made by him under the Hart-Scott Rodino Antitrust Improvements Act of 1976. This figure comprises a Hart-Scott-Rodino filing fee paid on behalf of the executive (\$125,000). In the future, we may provide perquisites or other personal benefits in limited circumstances, such as where we believe it is appropriate to assist an individual named executive officer in the performance of his or her duties or to make our named executive officers more efficient and effective and for recruitment, motivation, or retention purposes. Our compensation committee will approve and periodically review all future practices with respect to perquisites or other personal benefits.

### *Change in Control and Severance Benefits*

Ms. Fisher's employment offer letter provides for certain protections in the event of termination of her employment under specified circumstances. In addition, certain equity awards granted to our named executive officers provide for acceleration of vesting upon termination of their employment under specified circumstances or upon a change in control of the Company. We believe that these agreements maximize stockholder value by minimizing any potential distractions caused by the possibility of an involuntary termination or a potential change in control, which allows our named executive officers to maintain their focus and dedication to their responsibilities. We believe that these arrangements also provide further retention value by encouraging our named executive officers to continue providing services to us.

For a summary of the material terms and conditions of these severance and change in control arrangements, see the section entitled *Potential Payments upon Termination or Change in Control* contained in this proxy statement.

## **Compensation Policies**

### *Hedging and Pledging Policy*

We have implemented an insider trading policy that prohibits our named executive officers and directors from trading in derivative securities (including hedging) with respect to our common stock, pledging company securities as collateral, or holding company securities in a margin account.



*Stock Ownership Guidelines*

In February 2019, we adopted stock ownership guidelines that set minimum stock ownership requirements for our non-employee directors and executive officers (including our named executive officers), in order to more closely align their interests with the long-term interests of our stockholders. In March 2019, we amended these guidelines to also require that all shares subject to performance-based vesting generally must be held and not disposed of for at least three years from the date of grant of the underlying award.

<b>Named Executive Officer</b>	<b>Stock Ownership Requirement as a Multiple of Base Salary</b>	<b>In Compliance (Yes/No)</b>
Philippe F. Courtot	5.0	Yes
Melissa B. Fisher	3.0	Yes
Bruce K. Posey	3.0	Yes
Sumedh S. Thakar	3.0	Yes

*Clawback Policy*

In February 2019, we adopted a clawback policy that prevents our executive officers from benefiting from erroneously-paid cash-based incentive compensation or performance-based equity compensation that result from the officers' misconduct. This policy helps foster and maintain a culture that emphasizes integrity and accountability. Our clawback policy permits us to require that any of our current or former officers who is (or was) subject to Section 16 of the Securities Exchange Act of 1934, as amended, repay certain cash-based incentive compensation or performance-based equity compensation to us if our compensation committee determines that such an officer's actions caused or partially caused us to materially restate all or a portion of our financial statements.

**Tax and Accounting Considerations***Deductibility of Executive Compensation*

Section 162(m) of the Code generally limits the amount we may deduct for federal income tax purposes for compensation paid to our Chief Executive Officer and certain of our other executive officers in any taxable year to \$1 million per person.

An exception to the \$1 million limitation for performance-based compensation meeting certain requirements was repealed beginning in 2018 (other than with respect to certain grandfathered arrangements) under the Tax Cuts and Jobs Act (the Act). Under the transition relief provisions of the Act, it is possible that certain of the equity awards we granted prior to 2018 may be grandfathered and eligible to be excluded from the Section 162(m) deduction limits. Except for any equity awards that qualify for such transition relief provisions, compensation paid to any of our covered executives generally will not be deductible in 2018 or future years, to the extent that it exceeds \$1 million.

While our compensation committee is mindful of the benefit of being able to fully deduct the compensation paid to our executives, our compensation committee believes that we should retain the flexibility to compensate our executive officers in a manner that can best promote our business objectives. Therefore, our compensation committee intends to continue to compensate our executives in a manner consistent with the best interests of our company and our stockholders, even if such compensation is not fully deductible.

*Parachute Payments and Deferred Compensation*



Under Sections 280G and 4999 of the Code, certain service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control that exceeds certain prescribed limits, and we, or a successor, may forfeit a deduction on the amounts subject to this excise

tax. Also, Section 409A of the Code imposes significant additional taxes on a service provider in the event the service provider receives deferred compensation that does not meet the requirements of Section 409A of the Code.

In 2018, we did not provide any of our named executive officers with a gross-up or other reimbursement payment for any excise tax liability that he or she might owe as a result of the application of Sections 280G or 4999 or for any additional tax that he or she might owe as a result of the application of Section 409A. We have not agreed and are not otherwise obligated to provide any named executive officer with such a gross-up or other reimbursement.

#### *Accounting Considerations*

Accounting guidance on stock compensation requires us to measure the compensation expense for all share-based payment awards made to employees (including our named executive officers) and directors based on the grant date fair value of these awards. This calculation is performed for accounting purposes and reported in the tables below, even though our named executive officers and directors may never realize any value from their equity awards. This authoritative accounting guidance also requires us to recognize the compensation cost of share-based payment awards in our income statements over the period that the named executive officer or director is required to provide services to us in exchange for the vesting of the equity award.

#### *Risk Considerations*

Our compensation committee assesses risks created by the incentives inherent in our compensation policies. We have designed our executive compensation program so that our executive officers (including our named executive officers) focus on both short-term and long-term financial and operational performance. In addition, in 2018, our compensation committee had engaged Compensia to independently review our executive compensation program and in fiscal year 2019, our compensation committee engaged Mercer as its compensation consultant to review our program going forward. Our compensation committee conducts an annual review of our executive compensation program to ensure that it continues to reward our executive officers (including our named executive officers) for creating short-term and long-term stockholder value without encouraging our executive officers to take excessive risks. Based on the results of these reviews, we do not believe that our executive compensation program creates risks that are reasonably likely to have a material adverse effect on us. The risk mitigation features include:

Balance among short and long-term incentives, cash and equity, fixed and variable pay

Multiple performance metrics as targets

Caps on pay

Clawback policy

Stock ownership

Holding period requirement for PRSUs

Anti-hedging policies

Double-trigger change in control requirement

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## Compensation Committee Report

*The following Report of the Compensation Committee shall not be deemed to be soliciting material and should not be deemed filed and shall not be deemed to be incorporated by reference in future filings with the SEC, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.*

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis provided above. Based on its review and discussions, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 27, 2019.

Respectfully submitted by the members of the compensation committee of the board of directors:

Sandra E. Bergeron (Chair)

Patricia Hatter

General Peter Pace

## 2018 Summary Compensation Table

The following table provides information regarding the compensation of our named executive officers for fiscal years 2018, 2017 and 2016.

Name and Principal Position	Year	Salary (\$)	Option Awards (\$)(1)	Stock Awards (\$)(1)	Non-Equity Incentive	All Other Compensation (\$)(3)	Total (\$)
					Plan Compensation (\$)(2)		
Philippe F. Courtot Chairman, President and Chief Executive Officer	2018	375,000		8,310,345	285,753	125,000(5)	9,096,098
	2017	375,000		22,021,699(6)	353,137		22,749,836
	2016	366,859	5,269,550		214,064		5,850,473
Melissa B. Fisher Chief Financial Officer	2018	325,000		3,099,232	123,826	9,250	3,557,308
	2017	325,000		4,532,329	153,026	7,618	5,017,973
	2016	219,167	715,721	810,431	76,971		1,822,290
Bruce K. Posey Vice President, General Counsel and Corporate Secretary	2018	275,000		2,210,930	104,776	5,107	2,595,814
	2017	275,000		1,198,605	129,484	5,051	1,608,140
	2016	266,859	382,569	405,228	80,729	2,038	1,137,423
Sumedh S. Thakar Chief Product Officer	2018	325,000		5,641,991	123,826	9,250	6,100,067
	2017	325,000		7,339,879	153,026	9,000	7,826,905
	2016	308,718	1,433,318	1,519,542	94,896	4,944	3,361,418
Amer S. Deebe (4) Former Chief Commercial Officer	2018	191,543			\$ 71,068	8,963	271,574
	2017	300,000		1,276,222	141,255	10,422	1,727,899
	2016	283,718	477,421	506,523	87,500	5,170	1,360,332

- (1) Restricted stock unit awards and option awards are shown at their aggregate grant date fair value as determined in accordance with FASB, ASC Topic 718. The fair value of each option grant is estimated based on the fair market value on the date of grant using the Black-Scholes-Merton option pricing model. The fair value of each restricted stock unit award is measured based on the closing price of our common stock on the date of grant. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of valuation assumptions, see the stock-based compensation note to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 27, 2019.
- (2) Non-equity incentive plan payments for 2018 were paid under our 2018 Corporate Bonus Plan as described in the narrative above.

- (3) Reflects 401(k) matching contributions by Qualys, except for Mr. Courtot.  
(4) Mr. Deeba resigned from his position with the Company effective as of August 2, 2018.  
(5) This figure comprises a Hart-Scott-Rodino filing fee paid on behalf of Mr. Courtot.  
(6) Represents three grants made in 2017: \$6.8 million for Mr. Courtot's annual refresh award for 2017, \$7.9 million for Mr. Courtot's annual refresh award for 2018 and \$7.3 million for a catch-up award granted because the Compensation Committee determined that the value of the equity awards in the prior three years were not competitive with the value of the equity awards provided by companies in our compensation peer group to their similarly situated executives.

#### Grants of Plan-Based Awards in 2018 Table

The following table shows information regarding cash incentive and equity awards granted to our named executive officers during 2018.

Name	Grant Date	Plan Name (1)	Threshold (\$)(2)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Equity Grants		Grant Date Fair Value of Stock and Option Awards (\$)(3)
				Target and Maximum (\$)	All Other Stock Awards: Number of Shares of Stock or Units	All Other Exercise Option or Securities Awards: Number of Underlying Options (\$/Share)	Base Price of Option Awards	
Philippe F. Courtot	1/1/2018	Bonus Plan	\$ 93,750	375,000				
	12/21/2018	2012 Plan			122,427(4)			8,310,345(4)
Melissa B. Fisher	1/1/2018	Bonus Plan	\$ 40,625	162,500				
	10/25/2018	2012 Plan			40,667			3,099,232
Bruce K. Posey	1/1/2018	Bonus Plan	\$ 34,375	137,500				
	10/25/2018	2012 Plan			23,468			1,788,496
	7/26/2018	2012 Plan			4,442			422,434
Sumedh S. Thakar	1/1/2018	Bonus Plan	\$ 40,625	162,500				
	10/25/2018	2012 Plan			67,104			5,113,996
	7/26/2018	2012 Plan			5,552			527,995
Amer S. Deeba	1/1/2018	Bonus Plan	\$ 37,500	150,000				

- (1) Awards granted under the Bonus Plan represent awards granted under our 2018 Corporate Bonus Plan. Awards granted under the 2012 Plan represent awards granted under our 2012 Equity Incentive Plan.  
(2) Amounts reported in this column represent the payout under the 2018 Corporate Bonus Plan based on the minimum amounts payable for certain levels of performance for all three performance measures. Payout could be zero if performance comes in below minimum levels for all three measures.  
(3) Amounts reported in this column represent the grant date fair value of RSU awards, calculated in accordance with FASB ASC Topic 718.  
(4)

These amounts represent the number of restricted stock units covered by the award granted to Mr. Courtot and the grant date fair value of the award, assuming achievement of the performance goals for the PRSUs covered by the award at target levels. For achievement of the performance goals for the PRSUs covered by the award at maximum levels, the number of restricted stock units is 188,604, and the grant date fair value of the award is \$12,128,595.

**Outstanding Equity Awards at 2018 Year-End Table**

The following tables present, for each of our named executive officers, information regarding outstanding stock options and other equity awards held as of December 31, 2018.

Named Executive Officer	Grant Date	Vesting Commencement Date	Option Awards (1)		Option Awards Exercise Price (\$)	Option Awards Expiration Date
			Option Awards Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards Number of Securities Underlying Unexercised Options (#) Unexercisable		
Philippe F. Courtot	4/28/2016	4/28/2016	333,333(2)	166,667	\$25.56	4/28/2026
	2/6/2014	1/25/2015	398,000(3)		26.86	2/5/2024
Melissa B. Fisher	4/28/2016	4/28/2016	37,774(4)	22,637	25.56	4/28/2026
Bruce K. Posey	4/28/2016	4/28/2016	24,200(2)	12,100	25.56	4/28/2026
	7/30/2015	5/21/2016	15,000(5)		37.28	7/29/2025
Sumedh S. Thakar	6/6/2012	5/21/2012	85,244(3)		8.90	6/5/2022
	4/28/2016	4/28/2016	90,666(2)	45,334	25.56	4/28/2026
	7/30/2015	7/30/2015	50,000(3)		37.28	7/29/2025
	10/30/2014	10/30/2014	75,000(3)		30.58	10/29/2024
	8/1/2014	6/1/2014	50,000(3)		23.51	7/31/2024
	5/2/2014	5/2/2014	32,500(3)		19.26	5/1/2024
Amer S. Deeba	10/31/2013	10/31/2013	75,000(3)		20.80	10/30/2023
	2/7/2013	2/7/2013	20,611(3)		12.68	2/6/2023

(1) All stock options referenced in this table were granted under the 2012 Plan.

(2) 1/48<sup>th</sup> of the total number of shares of our common stock subject to this stock option vest monthly starting on the one month anniversary of the vesting commencement date.

(3) Each of these options was fully vested as of December 31, 2018.

(4) 1/4<sup>th</sup> of the total number of shares of our common stock subject to this stock option vest on the one-year anniversary of the vesting commencement date, and 1/48<sup>th</sup> of the total number of shares subject to this stock option vest monthly thereafter.

(5) 1/24<sup>th</sup> of the total number of shares of our common stock subject to this stock option vest monthly starting on the one month anniversary of the vesting commencement date.





Named Executive Officer	Grant Date	Stock Awards (1)	
		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(11)
Philippe F. Courtot	12/21/2018	33,089(2)	2,473,072
	12/21/2018	33,088(3)	2,472,997
	12/21/2018	56,250(4)	4,204,125
	10/27/2017	111,924(5)	8,365,200
	4/28/2017	111,430(6)	8,328,278
Melissa B. Fisher	10/25/2018	40,667(7)	3,039,452
	10/27/2017	26,923(5)	2,012,225
	4/28/2017	43,037(6)	3,216,585
Bruce K. Posey	4/28/2016	11,890(8)	888,659
	10/25/2018	23,468(7)	1,753,998
	7/26/2018	3,887(9)	290,514
	10/27/2017	10,615(5)	793,365
	4/28/2017	7,392(6)	552,478
Sumedh S. Thakar	4/28/2016	5,946(10)	444,404
	10/25/2018	67,104(7)	5,015,353
	7/26/2018	4,858(9)	363,087
	10/27/2017	55,722(5)	4,164,662
	4/28/2017	47,162(6)	3,524,888
Amer S. Deeba	4/28/2016	22,294(10)	1,666,254

(1) All restricted stock units (RSUs) referenced in this table were granted under the 2012 Plan.

(2) The RSUs will vest based on the achievement of goals that are not market price goals but based on operating performance goals for the period January 2019 through December 2021.

(3) The RSUs will vest in three increments based on the achievement of goals that are not market price goals but based on operating performance goals for each of fiscal 2019, 2020 and 2021.

(4) The RSUs vest quarterly in equal installments over four years beginning on April 1, 2019

- (5) The RSUs vest quarterly in equal installments over four years beginning on February 1, 2018.
- (6) The RSUs vest quarterly in equal installments over four years beginning on August 1, 2017.
- (7) The RSUs vest quarterly in equal installments over four years beginning on November 1, 2018.
- (8) Twenty-five percent (25%) of the RSUs vested on May 1, 2017, and the remaining RSUs vest quarterly in equal installments through May 1, 2020.
- (9) The RSUs vest quarterly in equal installments over two years beginning on August 1, 2018.
- (10) The RSUs vest quarterly in equal installments over four years beginning on August 1, 2016.
- (11) Market value of shares or units of stock that have not vested is computed by multiplying (i) \$74.74, the closing price on the Nasdaq Stock Market of our common stock on December 31, 2018, the last business day of 2018, by (ii) the number of shares or units of stock.

**Option Exercises and Stock Vested in 2018 Table**

The following table sets forth the number of shares of common stock acquired during 2018 by our named executive officers upon the exercise of stock options and the vesting of restricted stock unit awards and the value realized upon such exercise or vesting.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$ (1))	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$ (2))
Philippe F. Courtot	20,000	1,707,582	11,143	702,009
	20,000	1,706,544	9,327	587,601
	20,000	1,782,665	9,327	686,467
	20,000	1,694,772	9,327	793,261
	20,000	1,685,881	47,695	3,510,352
	20,000	1,771,178	47,694	3,004,722
	20,000	1,759,034	11,143	820,125
	11,927	1,015,999	11,143	947,712
	20,000	1,761,357	11,143	830,711
	20,000	1,731,110	9,327	695,328
	20,000	1,737,522		
	20,000	1,710,189		
	Melissa B. Fisher	1,500	133,529	1,981
1,500		111,525	1,982	168,569
1,500		121,950	2,244	167,290
1,500		108,585	4,304	366,055
1,500		130,262	2,243	141,309
			4,304	332,699
			4,303	271,089
			2,244	173,461
			2,243	190,767
			1,982	124,866
			1,982	147,758
			4,303	320,789
Bruce K. Posey		2,000	176,987	555
	25,000	1,687,750	991	62,433
	2,000	152,557	991	73,879
	5,756	419,209	990	84,200
	2,000	152,751	991	76,604
	2,000	156,689	739	46,557
	2,000	184,190	740	55,167
			739	62,852
			739	57,125
			885	65,977
			884	55,692

884	75,184
885	68,411

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$ (1))	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$ (2))
Sumedh S. Thakar	1,600	123,340	3,716	287,247
	7,500	665,365	694	51,738
	10,000	950,227	4,716	351,578
	2,000	117,425	4,643	358,904
	2,000	156,880	4,644	394,972
	1,600	119,702	4,643	346,136
	2,000	126,783	4,643	292,509
	2,000	149,085	4,716	401,096
	1,600	120,999	4,716	364,547
	2,000	154,557	3,479	219,177
	2,000	169,357	3,479	268,927
	1,600	147,231	3,715	315,961
	2,000	177,423	3,716	277,028
			3,716	234,108
			4,716	297,108
	Amer S. Deeba	28,096	2,589,046	568
9,424		816,247	568	35,784
3,191		273,628	1,203	92,992
6,404		549,143	1,202	102,230
5,509		496,085	1,203	75,789
3,543		309,658	534	33,642
588		50,450	1,239	105,377
8,255		720,662	1,238	77,994
4,973		423,202	535	41,356
11,904		1,029,618	535	45,502
2,000		152,680	1,239	95,775
2,000		149,160		
2,000		125,421		
17,000		1,547,750		
2,000		170,040		
2,000		155,999		
286		17,346		
2,000		143,690		
13,617		1,150,851		
6,809		575,361		
13,596		1,157,758		
5,000		435,402		
79	7,228			
4,311	388,502			
5,000	450,094			
5,000	444,844			
5,000	445,594			
6,148	570,652			

10,000	915,594
5,000	457,750
4,462	406,030
1,714	103,957
9,972	887,964
6,457	568,458
1,114	96,361
15,646	1,357,563
6,383	539,364

- (1) The value realized upon exercise was determined by multiplying (i) the number of shares of our common stock acquired on exercise by (ii) the difference between the closing price per share on the Nasdaq Stock Market of our common stock on the day of exercise and the exercise price per share.
- (2) The value realized upon vesting was determined by multiplying (i) the number of shares of our common stock acquired on vesting by (ii) the closing price per share on the Nasdaq Stock Market of our common stock on the day of vesting.

### **Pension Benefits & Nonqualified Deferred Compensation**

We do not provide a pension plan for our employees, and no named executive officers participated in a nonqualified deferred compensation plan during 2018.

### **CEO Pay Ratio**

Under SEC rules, we are required to provide the following information regarding the relationship between the annual total compensation of Mr. Courtot, our Chairman, President and Chief Executive Officer, and the median annual total compensation of our employees (other than Mr. Courtot) for fiscal 2018:

1. The median of the annual total compensation of all employees (other than Mr. Courtot) of the Company (including our consolidated subsidiaries) was \$48,268.
2. Mr. Courtot's annual total compensation, as reported in the 2018 Summary Compensation Table included in this proxy statement, was \$9,096,098.
3. Based on the above, for 2018, the ratio of Mr. Courtot's annual total compensation to the median of the annual total compensation of all employees other than Mr. Courtot was approximately 188 to 1.

This pay ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of SEC Regulation S-K. We determined the median of the annual total compensation of our employees as of December 31, 2018, at which time we (including our consolidated subsidiaries) had 1,194 full-time, part-time and temporary employees, 418 of whom are U.S. employees, and 776 (or approximately 65% of our total employee population) of whom are located outside of the United States (4 in Australia, 2 in Brazil, 4 in Canada, 1 in Colombia, 1 in the Czech Republic, 39 in France, 9 in Germany, 1 in Hong Kong, 656 in India, 5 in Italy, 3 in Japan, 2 in Mexico, 7 in the Netherlands, 1 in the Philippines, 1 in Poland, 2 in Russia, 2 in Singapore, 2 in South Africa, 2 in Spain, 3 in the United Arab Emirates, and 29 in the United Kingdom). In accordance with the permitted methodology for determining the median employee, we re-identified the median employee for 2018 fiscal year due to the change in employee population, and we excluded all non-U.S. employees (other than those located in France, Germany, India, and the United Kingdom) from our calculations. We then compared the base salaries paid, bonuses earned and equity awards granted to our 1,151 employees in the U.S., France, Germany, India, and the United Kingdom (which consisted of 418 U.S. employees and 733 non-U.S. employees) in 2018 to determine the median employee. Once we identified our median employee, we calculated such employee's annual total compensation as though such median employee was reported in the Summary Compensation Table in accordance with the requirements of Item 402(c)(2)(x) of SEC Regulation S-K, yielding the median annual total compensation disclosed above. With respect to the annual total compensation of Mr. Courtot, we used the amount reported in the Total column in the 2018 Summary Compensation Table included in this proxy statement.





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**Potential Payments upon Termination or Change in Control***Philippe F. Courtot*

Mr. Courtot was granted a stock option on April 28, 2016, covering 500,000 shares of our common stock, with a vesting commencement date of April 28, 2016, and an exercise price per share of \$25.56. This option, which was granted pursuant to our 2012 Plan and an individual stock option agreement thereunder, is scheduled to vest as to 1/48th of the total shares on each monthly anniversary of the vesting commencement date, subject to Mr. Courtot's continued service through each such date. Following a change of control of the Company (as defined in the stock option grant notice), Mr. Courtot receives 100% vesting acceleration of the option, subject to his continued service through such transaction.

Mr. Courtot was granted (i) on April 28, 2017, an award of 190,778 restricted stock units with a vesting commencement date of May 1, 2017, which was his annual refresh award for 2017, (ii) on April 28, 2017, an award of 178,287 restricted stock units with a vesting commencement date of May 1, 2017, which was a catch-up award granted because the Compensation Committee determined that the value of the equity awards in the prior three years were not competitive with the value of the equity awards provided by companies in our compensation peer group to their similarly situated executives, (iii) on October 27, 2017, an award of 149,232 restricted stock units with a vesting commencement date of November 1, 2017, which was his annual refresh award for 2018. Other than as set forth above, these awards, which were each granted pursuant to our 2012 Plan and an individual restricted stock unit agreement thereunder, are scheduled to vest in equal quarterly installments over one year following the vesting commencement date with respect to grant (i) and in equal quarterly installments over four years following the applicable vesting commencement date with respect to grants (ii) and (iii). Following a change of control of the Company (as defined in the respective restricted stock unit agreement), Mr. Courtot receives 100% vesting acceleration of these awards, subject to his continued service through such transaction.

Mr. Courtot was granted on December 21, 2018, restricted stock units consisting of (i) 56,250 time-based restricted stock units with a vesting commencement date of January 1, 2019, (ii) performance-based restricted stock units (covering a target number of 33,089 restricted stock units) that will vest based on achievement of goals related to revenue growth for a three-year period from January 2019 through December 2021 and adjusted EBITDA margin for the 2021 fiscal year and (iii) performance-based restricted stock units (covering a target number of 33,088 restricted stock units) that will vest in three increments based on the achievement of goals related to revenue growth and adjusted EBITDA margin for each of the 2019, 2020 and 2021 fiscal years, which in aggregate was his annual refresh award for 2019. This award was granted pursuant to our 2012 Plan and an individual restricted stock unit agreement thereunder. Other than as set forth above, the 56,250 time-based restricted stock units are scheduled to vest in 16 quarterly increments following the applicable vesting commencement date with respect to grant, subject in each case to Mr. Courtot's continued service through each such date.

For Mr. Courtot's 2019 award granted in 2018, if Mr. Courtot's employment (i) is terminated by reason of death or disability or (ii) is terminated by the Company other than for cause (as defined in the restricted stock unit agreement) or he resigns for good reason (as defined in the restricted stock unit agreement) within 12 months following a change in control of the Company (as defined in the 2012 Plan), then, in each case, 100% of the then-unvested shares subject to the award of restricted stock units will accelerate.

*Melissa B. Fisher*

Ms. Fisher was granted (i) on April 28, 2016, a stock option covering 67,911 shares of our common stock, with a vesting commencement date of April 28, 2016 and an exercise price per share



of \$25.56, (ii) on April 28, 2016, an award of 31,707 restricted stock units with a vesting commencement date of May 1, 2016, (iii) on April 28, 2017, an award of 68,858 restricted stock units with a vesting commencement date of May 1, 2017, (iv) on October 27, 2017, an award of 35,897 restricted stock units with a vesting commencement date of November 1, 2017, and (v) on October 25, 2018, an award of 40,667 restricted stock units with a vesting commencement date of November 1, 2018. These awards, which were each granted pursuant to our 2012 Plan and an individual stock option or restricted stock unit agreement thereunder, are scheduled to vest as to 25% of the shares subject to the option on the one-year anniversary of the vesting commencement date and as to 1/48th of the shares subject to the option in each month during the three years after the one-year anniversary of the vesting commencement date with respect to grant (i), as to 25% of the restricted stock units on the one-year anniversary of the vesting commencement date and as to 1/16th of the restricted stock units in each quarter during the three years after the one-year anniversary of the vesting commencement date with respect to grant (ii), and in equal quarterly installments over four years following the applicable vesting commencement date with respect to grants (iii), (iv) and (v), subject to Ms. Fisher's continued service through each such date.

If, within 12 months following a change in control of the Company (as defined in the 2012 Plan), Ms. Fisher's employment is terminated by Qualys other than for cause (as defined in her option agreement for grant (i) and her restricted stock unit agreements for grants (ii), (iii), (iv) and (v)), death, or disability or she resigns for good reason (as defined in her option agreement and the respective restricted stock unit agreements), then, in each case, 100% of the then-unvested shares subject to her option and her awards of restricted stock units shall accelerate, pursuant to her offer letter agreement dated April 15, 2016 and the respective restricted stock unit agreements). In addition, pursuant to Ms. Fisher's offer letter agreement, if her employment is terminated by Qualys without cause, she will be entitled to severance equal to 6 months of her base salary and COBRA continuation coverage, subject to her entering into a severance agreement with and a general release of claims in favor of Qualys.

*Bruce K. Posey*

Mr. Posey was granted stock options on April 28, 2016, covering 36,300 shares, with a vesting commencement date of April 28, 2016, and an exercise price per share of \$25.56. These options, which were each granted pursuant to our 2012 Plan and an individual stock option agreement thereunder, are scheduled to vest as to 1/48<sup>th</sup> of the total shares on each monthly anniversary of the vesting commencement date, subject to Mr. Posey's continued service through each such date. Upon a change in control of the Company (as defined in the 2012 Plan), Mr. Posey will receive 75% vesting acceleration of the then-unvested shares subject to the options, subject to his continued service through such transaction.

Mr. Posey was granted (i) on April 28, 2016, an award of 15,854 restricted stock units with a vesting commencement date of May 1, 2016, (ii) on April 28, 2017, an award of 11,827 restricted stock units with a vesting commencement date of May 1, 2017, (iii) on October 27, 2017, an award of 14,153 restricted stock units, with a vesting commencement date of November 1, 2017, (iv) on July 26, 2018, an award of 4,442 restricted stock units, with a vesting commencement date of August 1, 2018, and (v) on October 25, 2018, an award of 23,468 restricted stock units, with a vesting commencement date of November 1, 2018. These awards, which were each granted pursuant to our 2012 Plan and an individual restricted stock unit agreement thereunder, are scheduled to vest in equal quarterly installments over four years following the applicable vesting commencement date with respect to grants (i), (ii), (iii) and (v), and in equal quarterly installments over two years following the applicable vesting commencement date with respect to grant (iv), subject in each case to Mr. Posey's continued service through each such date. Upon a change in control of the Company (as defined in the 2012 Plan), Mr. Posey will receive 75% vesting acceleration of the then-unvested portion of the awards

granted on April 28, 2016 and April 28, 2017, subject to his continued service through such transaction. If, within 12 months following a change in control of the Company (as defined in the 2012 Plan), Mr. Posey's employment is terminated without cause (as defined in his applicable agreement) or Mr. Posey resigns for good reason (as defined in his applicable agreement), then, in each case, subject to the execution of a release of claims, he receives vesting acceleration of 50% of the then-unvested portion of the awards granted on October 27, 2017, July 26, 2018 and October 25, 2018.

*Sumedh S. Thakar*

Mr. Thakar was granted a stock option on April 28, 2016, covering 136,000 shares of our common stock, with a vesting commencement date of April 28, 2016, and an exercise price per share of \$25.56. This option, which was granted pursuant to our 2012 Plan and an individual stock option agreement thereunder, is scheduled to vest as to 1/48<sup>th</sup> of the total shares on each monthly anniversary of the vesting commencement date, subject to Mr. Thakar's continued service through each such date. If, within 12 months following a change in control of the Company (as defined in the 2012 Plan), Mr. Thakar's employment is terminated without cause (as defined in his stock option grant notice) or Mr. Thakar resigns for good reason (as defined in stock option grant notice), then, in each case, subject to the execution of a release of claims, he receives vesting acceleration of 50% of the then-unvested shares subject to the option.

Mr. Thakar was granted (i) on April 28, 2016, an award of 59,450 restricted stock units with a vesting commencement date of May 1, 2016, (ii) on April 28, 2017, an award of 75,458 restricted stock units with a vesting commencement date of May 1, 2017, (iii) on April 28, 2017, an award of 13,916 restricted stock units with a vesting commencement date of May 1, 2017, (iv) on October 27, 2017, an award of 74,295 restricted stock units with a vesting commencement date of November 1, 2017, (v) on July 26, 2018, an award of 5,552 restricted stock units, with a vesting commencement date of August 1, 2018, and (vi) on October 25, 2018, an award of 67,104 restricted stock units, with a vesting commencement date of November 1, 2018. These awards, which were each granted pursuant to our 2012 Plan and an individual restricted stock unit agreement thereunder, are scheduled to vest in equal quarterly installments over four years following the applicable vesting commencement date with respect to grants (i), (ii), (iv) and (vi), in equal quarterly installments over one year following the vesting commencement date with respect to grant (iii), and in equal quarterly installments over two years following the vesting commencement date with respect to grant (v), subject in each case to Mr. Thakar's continued service through each such date. If, within 12 months following a change in control of the Company (as defined in the 2012 Plan), Mr. Thakar's employment is terminated without cause (as defined in the respective restricted stock unit agreement) or Mr. Thakar resigns for good reason (as defined in the respective restricted stock unit agreement), then, in each case, subject to the execution of a release of claims, he receives vesting acceleration of 50% of the then-unvested portion of each award.

*Amer S. Deeba*

Upon his resignation as Chief Commercial Officer of the Company effective as of August 2, 2018, Mr. Deeba received no additional compensation, and the vesting of his outstanding equity awards was not accelerated. Therefore, Mr. Deeba is not included in the Estimated Payments upon Termination or Change in Control table below.

**Estimated Payments upon Termination or Change in Control**

The following table provides an estimate of the payments and benefits that would be provided in the circumstances described above for each of the named executive officers, assuming the triggering event took place on December 31, 2018 (the last business day of 2018) and based on the \$74.74 closing price per share of our common stock on the Nasdaq Stock Market on that date. A number of



factors may affect the nature and amount of any potential payments or benefits, and as a result, the payments and benefits actually paid (if any) may be different. For example, a triggering event may occur on a date other than December 31, 2018, the price per share of our common stock on the date of the triggering event may be higher or lower than \$74.74 or the assumptions relied upon in the estimate of potential payments and benefits below may not reflect the actual circumstances of the triggering event. Accordingly, there is no guarantee that a triggering event would produce the same or similar results as those estimated below.

Named Executive Officer	Type of Benefit	Upon a Qualifying Termination of Employment Not in Connection With a Change of Control			
		Upon Change of Control (\$)(1)	of Control (\$)	With a Change of Control (\$)(1)(2)	Upon Disability or Death (\$)(1)
Philippe F. Courtot	Vesting Acceleration	\$ 24,890,161		\$ 9,150,194	\$ 9,150,194
	<b>Total Termination Benefits:</b>	<b>\$ 24,890,161</b>		<b>\$ 9,150,194</b>	<b>\$ 9,150,194</b>
Melissa B. Fisher	Vesting Acceleration		\$	\$ 10,270,208	\$ 3,039,452
	Base Salary Severance		162,500	162,500	
	COBRA Coverage		4,509	4,509	
	<b>Total Termination Benefits:</b>		<b>\$ 167,009</b>	<b>\$ 10,437,217</b>	<b>\$ 3,039,452</b>
Bruce K. Posey	Vesting Acceleration	\$ 1,193,933		\$ 1,418,864	\$ 1,753,998
	<b>Total Termination Benefits:</b>	<b>\$ 1,193,933</b>		<b>\$ 1,418,864</b>	<b>\$ 1,753,998</b>
Sumedh S. Thakar	Vesting Acceleration			\$ 8,481,885	\$ 5,015,353
	<b>Total Termination Benefits:</b>			<b>\$ 8,481,885</b>	<b>\$ 5,015,353</b>

- (1) The amounts listed represent the vesting acceleration benefits described above in the section entitled *Potential Payments upon Termination or Change in Control* as of December 31, 2018. For restricted stock units, the value of such vesting acceleration is computed by multiplying (i) the number of shares of our common stock subject to the restricted stock units that are being accelerated (at target for performance-based restricted stock units) by (ii) the closing sales price per share of our common stock on December 31, 2018 (\$74.74). For options, the value of such vesting acceleration is computed by multiplying (i) the number of shares of our common stock subject to the option that are being accelerated by (ii) the difference between the closing sales price per share of our common stock on December 31, 2018 (\$74.74) and the option's exercise price per share.
- (2) If a named executive officer has a qualifying termination in connection with a change of control, he or she would also receive the vesting acceleration benefits in the column titled *Upon Change of Control*. As a result, Total Termination Benefits for each named executive officer would be \$34,040,355 for Mr. Courtot; \$10,437,217 for Ms. Fisher, \$2,612,797 for Mr. Posey, and \$8,481,885 for Mr. Thakar.





## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock at April 8, 2019 for:

each of our named executive officers;

each of our directors;

all of our current directors and executive officers as a group; and

each person or group, who beneficially owned more than 5% of our common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares of common stock that they beneficially owned, subject to applicable community property laws.

Applicable percentage ownership is based on 39,151,573 shares of common stock outstanding at April 8, 2019. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of such person, we deemed to be outstanding all shares of common stock subject to options held by the person that are currently exercisable or exercisable within 60 days of April 8, 2019. However, we did not deem such shares outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Qualys, Inc., 919 East Hillsdale Boulevard, 4<sup>th</sup> Floor, Foster City, California 94404.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Beneficially Owned
<b>Named Executive Officers:</b>		
Philippe F. Courtot (1)	6,122,724	15.3%
Melissa B. Fisher (2)	92,038	*
Bruce K. Posey (3)	139,767	*
Sumedh S. Thakar (4)	438,517	1.1%
Amer S. Deeba (5)	31,867	*
<b>Non-Employee Directors:</b>		
Sandra E. Bergeron (6)	69,655	*
Jeffrey P. Hank (7)	64,655	*
Gen. Peter Pace (8)	63,655	*
Kristi M. Rogers (9)	39,982	*
Jason Ream		*

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Patricia Hatter		*
All directors and current executive officers as a group (10 persons) (10)	7,030,993	17.3%
<b>5% Stockholders:</b>		
BlackRock, Inc. (11)	4,979,525	12.7%
Neuberger Berman Group LLC (12)	2,423,665	6.2%
The Vanguard Group (13)	3,498,902	8.9%

\* Represents beneficial ownership of less than 1%.

- (1) Consists of (i) 5,218,838 shares of common stock held by Mr. Courtot, (ii) 20,470 shares of common stock subject to restricted stock units that vest within 60 days of April 8, 2019, (iii) 783,416 shares of common stock subject to options exercisable within 60 days of April 8, 2019, and (iv) 100,000 shares of common stock held by Freya Anne Eduarte as custodian under the Uniform Gifts to Minors Act for Mr. Courtot's minor child.
- (2) Consists of (i) 42,118 shares of common stock held by Ms. Fisher, (ii) 11,072 shares of common stock subject to restricted stock units that vest within 60 days of April 8, 2019, and (iii) 38,848 shares of common stock subject to options exercisable within 60 days of April 8, 2019.
- (3) Consists of (i) 14,905 shares of common stock held by Mr. Posey, (ii) 4,637 shares of common stock subject to restricted stock units that vest within 60 days of April 8, 2019, and (iii) 120,225 shares of common stock subject to options exercisable within 60 days of April 8, 2019.
- (4) Consists of (i) 17,409 shares of common stock held by Mr. Thakar, (ii) 17,964 shares of common stock subject to restricted stock units that vest within 60 days of April 8, 2019, and (iii) 403,144 shares of common stock subject to options exercisable within 60 days of April 8, 2019.
- (5) Consists of (i) 31,867 shares of common stock held by Mr. Deeba.
- (6) Consists of (i) 33,655 shares of common stock held by Ms. Bergeron, and (ii) 36,000 shares of common stock subject to options exercisable within 60 days of April 8, 2019.
- (7) Consists of (i) 6,155 shares of common stock held by Mr. Hank, and (ii) 58,500 shares of common stock subject to options exercisable within 60 days of April 8, 2019.
- (8) Consists of (i) 5,155 shares of common stock held by Gen. Pace, and (ii) 58,500 shares of common stock subject to options exercisable within 60 days of April 8, 2019.
- (9) Consists of (i) 4,982 shares of common stock held by Ms. Rogers, and (ii) 35,000 shares of common stock subject to options exercisable within 60 days of April 8, 2019.
- (10) Includes (i) 54,143 shares of common stock subject to restricted stock units that vest within 60 days of April 8, 2019, and (ii) 1,533,633 shares of common stock subject to options exercisable within 60 days of April 8, 2019.
- (11) According to a Schedule 13G/A filed on January 31, 2019, BlackRock, Inc. beneficially owns 4,979,525 shares of our common stock. The principal address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
- (12) According to a Schedule 13G filed on February 13, 2019, Neuberger Berman Group LLC beneficially owns 2,423,665 shares of our common stock. The principal address of Neuberger Berman Group LLC is 1290 Avenue of the Americas, New York, NY 10104.
- (13) According to a Schedule 13G filed on February 12, 2019, The Vanguard Group beneficially owns 3,498,902 shares of our common stock. The principal address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

## RELATED PERSON TRANSACTIONS

We describe below transactions and series of similar transactions, since the beginning of last year, to which we were a party or will be a party, in which:

the amounts involved exceeded or will exceed \$120,000; and

any of our directors, executive officers, or beneficial holders of more than 5% of any class of our capital stock had or will have a direct or indirect material interest.

Other than as described below, there have not been, nor are there any currently proposed, transactions or series of similar transactions to which we have been or will be a party.

### **Employment Arrangements and Indemnification Agreements**

We have entered into offer letter agreements with certain of our executive officers, as discussed in the section titled Executive Compensation Executive Employment Arrangements.

### **Certain Family Relationships**

Nicolas Courtot, son of Philippe F. Courtot, our Chairman, President and Chief Executive Officer, was employed by us during fiscal 2018 as a Creative Director. During fiscal 2018, Nicolas Courtot earned total compensation of \$279,473.35, consisting of base salary, bonus and equity compensation. In addition, Nicolas Courtot participated in our employee benefit plans and arrangements which are generally made available to other employees at his level, including employee equity incentive and benefit plans, including health, vacation, Section 401(k) retirement savings plans and insurance plans. The compensation of Nicolas Courtot was established in accordance with our employment and compensation practices applicable to employees with equivalent qualifications, experience and responsibilities. In addition, a member of Philippe F. Courtot's household is employed by us as a Web and Media Designer and, in 2018, such member of Mr. Courtot's household received less than \$120,000 in total compensation.

The agreements and transactions described under this section were reviewed and approved or ratified by the audit committee of our board of directors in accordance with our related party transaction policy described below.

### **Policies and Procedures for Related Party Transactions**

The audit committee of our board of directors has the primary responsibility for reviewing and approving or ratifying transactions with related parties.

We have a formal written policy providing that our executive officers, directors, nominees for election as directors, beneficial owners of more than 5% of any class of our common stock, any member of the immediate family of any of the foregoing persons, and any firm, corporation, or other entity in which any of the foregoing persons is employed, is a general partner or principal or in a similar position, or in which such person has a 5% or greater beneficial ownership interest, are/is not permitted to enter into a related party transaction with us without the consent of our audit committee. In approving or rejecting any such proposal, our audit committee is to consider the relevant facts and circumstances available and deemed relevant to our audit committee, including, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, and the extent of the related party's interest in the transaction.



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## OTHER MATTERS

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during 2018, all Section 16(a) filing requirements were satisfied on a timely basis, except as follows:

On February 6, 2018, Mr. Deeba filed a late Form 4 to report 1,302 shares withheld to pay taxes upon the vesting of restricted stock units on February 1, 2018, and the exercise and sale of 2,000 shares on February 1, 2018;

On February 6, 2018, Mr. Courtot filed a late Form 4 to report 31,501 shares withheld to pay taxes upon the vesting of restricted stock units on February 1, 2018;

On February 6, 2018, Ms. Fisher filed a late Form 4 to report 3,040 shares withheld to pay taxes upon the vesting of restricted stock units on February 1, 2018; and

On February 6, 2018, Mr. Thakar filed a late Form 4 to report 6,060 shares withheld to pay taxes upon the vesting of restricted stock units on February 1, 2018.

### 2018 Annual Report and SEC Filings

Our financial statements for the year ended December 31, 2018 are included in our annual report on Form 10-K, which we will make available to stockholders at the same time as this proxy statement. Our annual report and this proxy statement are posted on our website at [www.qualys.com](http://www.qualys.com) and are available from the SEC at its website at [www.sec.gov](http://www.sec.gov). You may also obtain a copy of our annual report without charge by sending a written request to Investor Relations, Qualys, Inc., 919 East Hillsdale Boulevard, 4<sup>th</sup> Floor, Foster City, California 94404.

\* \* \*

The board of directors does not know of any other matters to be presented at the Annual Meeting. If any additional matters are properly presented at the Annual Meeting, the persons named in the enclosed proxy card will have discretion to vote shares they represent in accordance with their own judgment on such matters.

It is important that your shares be represented at the Annual Meeting, regardless of the number of shares that you hold. You are, therefore, urged to vote by telephone or by using the Internet as instructed on the enclosed proxy card or execute and return, at your earliest convenience, the enclosed proxy card in the envelope that has also been provided.

**THE BOARD OF DIRECTORS**

Foster City, California

April 22, 2019

QUALYS, INC.



Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting: