As filed with the Securities and Exchange Commission on October 31, 2006

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form F-1
REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

ALLOT COMMUNICATIONS LTD.

(Exact Name of Registrant as Specified in its Charter)

State of Israel	3576	Not Applicable
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

Allot Communications Ltd.
22 Hanagar Street
Neve Ne'eman Industrial Zone B
Hod-Hasharon 45240
Israel
+972 (9) 761-9200
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Allot Communications, Inc.
7664 Golden Triangle Drive
Eden Prairie, MN 55344
(952) 944-3100
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies of Communications to:

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after effectiveness of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box. o

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Ordinary shares, par value NIS 0.10	U.S.$82,225,000	U.S.$8,799

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457 under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated October 31, 2006

PROSPECTUS

6,500,000 Shares

Ordinary Shares

We are offering 6,500,000 ordinary shares. No public market currently exists for our ordinary shares.

We have applied to have our ordinary shares approved for quotation on The Nasdaq Global Market under the symbol "ALLT." We anticipate that the initial public offering price will be between $9.00 and $11.00 per ordinary share.

Investing in our ordinary shares involves risks. See "Risk Factors" beginning on page 8.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Allot Communications (before expenses)	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 975,000 ordinary shares on the same terms and conditions as set forth above if the underwriters sell more than 6,500,000 ordinary shares in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the ordinary shares on or about , 2006.

LEHMAN BROTHERS

DEUTSCHE BANK SECURITIES

CIBC WORLD MARKETS

RBC CAPITAL MARKETS

, 2006

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Until , 2006, 25 days after the date of this prospectus, all dealers that buy, sell or trade our ordinary shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

You should rely only on the information contained in this prospectus and any free writing prospectus prepared by or on our behalf. We have not authorized anyone to provide you with information different from that contained in this prospectus. This prospectus is not an offer to sell or a solicitation of an offer to buy our ordinary shares in any jurisdiction where it is unlawful. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of ordinary shares.

PROSPECTUS SUMMARY

You should read the following summary together with the entire prospectus, including the more detailed information in our consolidated financial statements and related notes appearing elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in "Risk Factors."

Allot Communications Ltd.

We are a leading designer and developer of broadband service optimization solutions using advanced deep packet inspection, or DPI, technology. Our solutions provide broadband service providers and enterprises with real-time, highly granular visibility into, and control of, network traffic, and enable them to efficiently and effectively manage and optimize their networks. Our carrier-class products are used by service providers to offer subscriber-based and application-based tiered services that enable them to optimize their service offerings, reduce churn rates and increase average revenue per user, or ARPU. The rapid growth of broadband networks, such as cable, DSL and wireless, and the proliferation in the number and complexity of broadband applications have led broadband service providers to demand new ways to manage their networks. Costly infrastructure upgrades to increase network bandwidth capacity neither address service providers' need for network visibility nor prioritize revenue-generating applications. Furthermore, service providers have generally been unsuccessful in capturing the significant new revenue opportunities available from providing differentiated, premium broadband services that command higher prices. By capitalizing on new revenue opportunities and maximizing the capacity of existing network infrastructure, our DPI technology enables service providers to optimize returns on their investments and enhance the quality of the services they provide.

Our products consist of our NetEnforcer traffic management systems and NetXplorer application management suite. NetEnforcer employs advanced DPI technology, which identifies applications at high speeds by examining data packets and searching for application patterns and behaviors. NetXplorer enables the implementation of user-defined network management policies and the collection of detailed statistics on the network's users and applications. Our goal is to be the leading provider of independent network inspection and management solutions used by service providers and enterprises to transform generic access broadband networks into intelligent broadband networks.

We generated revenues of $23.0 million in 2005, representing a 27% increase over the prior year, and revenues of $24.6 million for the nine months ended September 30, 2006, representing a 55% increase over the same period in the prior year. We had a net loss of $2.4 million in 2005 and had net income of $0.6 million for the nine months ended September 30, 2006. We have incurred net losses in each fiscal year since our incorporation in 1996 and may be unable to achieve profitability. Since inception, we have financed our operations primarily through private placements of our equity securities and, to a lesser extent, through borrowings from financial institutions. We had 232 employees as of September 30, 2006.

Industry Background

The rapid proliferation of broadband networks in recent years has been largely driven by demand from users for faster and more reliable access to the Internet and by the proliferation in the number and complexity of broadband applications. According to a May 2006 report by International Data Corporation, or IDC, a provider of information about the telecommunications market, the number of broadband subscribers globally is expected to reach 396 million by 2010, representing a compound annual growth rate of 14% over the 206 million in 2005. The applications utilized by broadband subscribers include peer-to-peer file-sharing (P2P), voice-over-IP (VoIP), Internet video and online video gaming applications, as well as applications to enable online content services. In contrast to traditional applications, such as e-mail and web-browsing, these new applications require large amounts of bandwidth and are highly sensitive to network delays, thereby increasing the cost of maintaining network performance. As a result of increased competition and lack of service differentiation, broadband access has become a commodity, contributing to downward price pressure, low ARPU, and high customer churn rates. Yet, because service providers do not have the tools to analyze and manage applications on their networks, most service providers still only offer users undifferentiated connectivity for a flat fee, regardless of the type of application, its importance to the user and level of usage.

To address these issues, service providers have begun to offer premium, differentiated applications, such as VoIP, video and new online content services based on the willingness of subscribers to pay premium rates for upgraded quality of service and certain applications. However, to offer premium services, and to guarantee service levels, service providers need to be able to identify, control and protect network applications used by different subscribers. By offering such tiered services and charging subscribers according to the value of these services, service providers can capitalize on the revenue enhancement opportunities enabled by different broadband applications.

The proliferation of network applications also presents significant challenges for enterprises operating wide-area networks. Enterprises have also become increasingly dependent on broadband Internet and Intranet access, as content distribution between partners and customers, employee remote access, and VoIP, have become more common. Applications such as e-mail, customer relationship management, or CRM, enterprise resource planning, or ERP, and other online transactional and business applications are critical to enterprises' businesses. In order to guarantee the performance of these mission-critical applications, as well as to reduce infrastructure expenses, enterprises seek the tools required to prioritize and control their network applications.

Service providers and enterprises are seeking to transform generic access broadband networks into intelligent broadband networks. The ability to identify, distinguish and prioritize different network applications plays a major role in intelligent network management, allowing service providers to optimize bandwidth usage and reduce operational costs, while maintaining high quality of service. Application designers are employing increasingly sophisticated methods to avoid detection by network operators who desire to manage network use. For example, applications can disguise themselves as permitted applications and also use sophisticated encryption techniques to avoid detection. Unlike traditional network infrastructure devices, such as switches and routers, which can perform only a very limited examination of packets, DPI solutions offer active control over each application and subscriber in the network.

The Allot Solution

Our NetEnforcer traffic management systems and NetXplorer application management suite enable our end-customers to accomplish the following objectives:

- *Network visibility.* Our intelligent network solutions enable our end-customers to generate detailed real-time and historical reports by identifying bandwidth usage by application, subscriber usage patterns, network performance, long- and short-term usage trends and abnormal events, such as denial-of-service attacks and worms.
- *Application management and control.* Service providers and enterprises apply our intelligent network application management technology to improve service quality by optimizing available bandwidth usage for different applications. For example, P2P applications that consume large amounts of network bandwidth can be de-prioritized to enhance the performance of applications, such as VoIP or Internet video, that are more sensitive to delay. Intelligent application controls can ensure the delivery of mission-critical applications by deprioritizing non-critical, bandwidth-intensive applications, discourage the use of non-business or recreational applications, and warn and protect against security threats.
- *Subscriber and service management.* Our offerings enable service providers to increase total revenue, ARPU and customer loyalty by offering tiered service plans and differentiated content offerings to better meet varying subscriber needs. Using our systems, service providers can tailor and price service plans based on customer needs and demands, such as plans that guarantee performance of certain applications, the ability to purchase bandwidth on demand or bandwidth for prioritized content delivery. Content providers can also contract with service providers to guarantee high quality service to their customers over the service provider's infrastructure, thereby enabling content providers to differentiate their offerings.

Our Competitive Strengths

Our competitive strengths include the following:

- *Market-leading DPI technology and analytical capabilities.* Our focus on developing the most efficient means to search for hundreds of different applications, combined with our extensive database of algorithms that detect network applications, provide us with a significant competitive advantage. We believe that our NetEnforcer AC-2500, is currently the only commercially deployed solution with its level of functionality capable of supporting 5 gigabits/second performance and 2 million simultaneous connections.
- *Broad product portfolio.* We believe that our broad product portfolio with offerings targeted at small, midsize and large service providers and enterprises enables us to compete in, and our channel partners to serve, a wider range of profitable markets than our competitors.
- *Independence from underlying network infrastructure.* Our independent solutions are designed for easy deployment and to be less disruptive to existing networks than embedded solutions, which require changes or upgrades to the network infrastructure. In addition, independent solutions can be upgraded easily to respond to rapid changes in application behavior and subscriber demands, and offer end-customers flexibility in choosing any infrastructure equipment vendor.
- *Global sales and marketing channels.* Our global network of over 300 distributors, resellers and systems integrators, through which we make substantially all of our sales, have enabled us to achieve a diverse customer base. We also rely on these third parties to install and provide basic technical support for our systems. To date, we have deployed over 9,000 NetEnforcer systems in 118 countries.
- *Focus on service optimization solutions.* We believe that our dedicated focus on DPI solutions differentiates the level of service and support that we provide to our channel partners and end-customers. This includes our responsiveness to the introduction of new applications and effective integration of our products into our customers' existing billing, customer care and other business systems.

Our Strategy

Our goal is to be the leader in offering service providers and enterprises network inspection and management solutions to transform generic access broadband networks into intelligent broadband networks. Our strategy to achieve this goal includes the following:

- *Further our technological advantage.* We intend to continue investing in the development of market leading broadband service optimization technologies and new broadband applications and services. Our next generation product, which is designed to support multiple channels of 10 gigabit/second full performance throughput rates, will utilize the new Advanced Telecom Computing Architecture standards, or ATCA, since it better enables the integration of additional third-party services into our product offerings.
- *Continue to expand our sales and marketing channels.* We intend to expand our world-wide sales and marketing channels to further address small and medium-sized service providers and enterprises, including the government and education sectors. We intend to seek channel partners in new geographical territories, as well as in vertical markets in countries where we have already established a presence.
- *Focus on larger service providers.* We intend to target larger service providers in response to increased demand from them for the ability to differentiate their service offerings. We believe that sales to these end-customers are more likely to result in sustained demand for our NetEnforcer systems as they deploy our products throughout their networks and as their networks grow. We intend to supplement these efforts by expanding our relationships with system integrators and OEMs who have existing relationships with larger service providers.

- *Selectively pursue strategic partnerships and acquisitions.* We intend to selectively pursue partnerships and acquisitions that will provide us access to complementary technologies and accelerate our penetration into new markets, including mobile networks, security applications and subscriber management.

We face a number of challenges in achieving our goal. In particular, the market for our products in the service provider market is still emerging and is highly competitive, and our growth may be harmed if carriers do not adopt DPI solutions or if they adopt DPI solutions from our competitors. In addition, sales of our products can involve lengthy sales cycles, which may impact the timing of our revenues and result in us expending significant resources without making any sales.

Company Information

We were incorporated under the laws of the State of Israel in November 1996. Our principal executive offices are located at 22 Hanagar Street, Neve Ne'eman Industrial Zone B, Hod-Hasharon 45240, Israel, and our telephone number is +972 (9) 761-9200. Our web site address is www.allot.com. The information on our web site does not constitute part of this prospectus.

Unless the context otherwise requires, the terms "Allot," "we," "us" and "our" refer to Allot Communications Ltd. and our wholly-owned subsidiaries.

THE OFFERING

Ordinary shares offered by us	6,500,000 shares.
Ordinary shares to be outstanding after this offering	20,914,233 shares.
Use of proceeds	We intend to use the net proceeds of this offering to fund our research and development activities, business development and marketing activities, and for general corporate purposes and working capital. We also may use a portion of the net proceeds to acquire or invest in complementary companies, products or technologies although we currently do not have any acquisition or investment planned.
Proposed Nasdaq Global Market symbol	"ALLT."

The number of ordinary shares to be outstanding after this offering excludes (1) 3,541,171 ordinary shares reserved for issuance under our share option plans as of the date of this prospectus, of which options to purchase 3,451,439 ordinary shares at a weighted average exercise price of $2.32 per share have been granted, (2) 246,479 ordinary shares that have been issued, but are held in trust for the benefit of our founder and Chairman, Yigal Jacoby, pending his payment of the purchase price of such shares (see "Certain Relationships and Related Party Transactions — Agreements with Directors and Officers — Escrow Agreement with Yigal Jacoby"), and (3) up to 163,705 ordinary shares issuable upon the exercise of warrants granted to two Israeli banks and an Israeli non-profit organization at a weighted average exercise price of $3.37 per share.

Unless otherwise indicated, all information in this prospectus:

- reflects the issuance upon the closing of this offering of 270,016 ordinary shares upon the exercise of warrants to purchase Series B preferred shares on a cashless and non-cashless basis, and the receipt of $1,128 by us from such exercise;
- reflects the issuance upon the closing of this offering of 14,094 ordinary shares upon the exercise of an option to purchase Series B preferred shares and the receipt of NIS 620, representing approximately $145, from such exercise, held by Mr. Jacoby;
- reflects the conversion upon the closing of this offering of (1) all of our issued and outstanding Series A, B, C, D and E preferred shares into 10,969,745 ordinary shares, including 275,127 ordinary shares resulting from an anti-dilution adjustment for price protection granted to holders of our Series C preferred shares in connection with prior financings and this offering, and (2) all of our Series A ordinary shares into 611,349 ordinary shares;
- assumes an initial public offering price of $10.00 per ordinary share, the midpoint of the estimated initial public offering price range;
- assumes no exercise of the underwriters' option to purchase from us up to 975,000 additional ordinary shares; and
- reflects a 1-for-100 share split effected on February 5, 1998, a share dividend effected on September 12, 2000 of three shares for each outstanding share, and a 4.3962-for-1 reverse share split effected on October 29, 2006. Such reverse share split was effected through a 10-for-1 consolidation of each series of our ordinary and preferred shares, followed by a share dividend of approximately 1.275 ordinary shares for each ordinary share outstanding and an adjustment to the ordinary share conversion ratio of our preferred shares and Series A ordinary shares. We effected the reverse share split in this manner in order to maintain a round par value per share and to give our board of directors maximum flexibility under Israeli law to determine the amount of the share dividend prior to printing preliminary prospectuses for this offering.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table presents summary consolidated financial and operating data derived from our consolidated financial statements. You should read this data along with the sections of this prospectus entitled "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(in thousands, except share and per share data)				
Consolidated statements of operations data:					
Revenues:					
Products	$ 13,122	$ 14,638	$ 18,498	$ 12,576	$ 20,718
Services	1,653	3,447	4,474	3,317	3,859
Total revenues	14,775	18,085	22,972	15,893	24,577
Cost of revenues(1):					
Products	3,229	3,942	4,481	3,237	4,562
Services	362	679	938	699	845
Total cost of revenues	3,591	4,621	5,419	3,936	5,407
Gross profit	11,184	13,464	17,553	11,957	19,170
Operating expenses:					
Research and development, gross	4,053	4,851	6,652	4,964	6,737
Less royalty-bearing participation	1,094	894	727	582	1,095
Research and development, net(1)	2,959	3,957	5,925	4,382	5,642
Sales and marketing(1)	8,164	10,104	11,887	8,797	10,859
General and administrative(1)	1,832	2,081	2,380	1,709	2,260
Impairment of intangible assets	—	366	—	—	—
Total operating expenses	12,955	16,508	20,192	14,888	18,761
Operating income (loss)	(1,771)	(3,044)	(2,639)	(2,931)	409
Financing and other income (expenses), net	(507)	(241)	45	36	229
Income (loss) before income tax expenses (benefit)	(2,278)	(3,285)	(2,594)	(2,895)	638
Income tax expenses (benefit)	2	3	(218)	(178)	75
Net income (loss)	$ (2,280)	$ (3,288)	$ (2,376)	$ (2,717)	$ 563
Basic net earnings (loss) per share	$ (0.82)	$ (1.18)	$ (0.81)	$ (0.94)	$ 0.04
Diluted net earnings (loss) per share	$ (0.82)	$ (1.18)	$ (0.81)	$ (0.94)	$ 0.04
Weighted average number of shares used in computing basic net earnings (loss) per share	2,774,639	2,787,554	2,943,500	2,903,356	13,310,355
Weighted average number of shares used in computing diluted net earnings (loss) per share	2,774,639	2,787,554	2,943,500	2,903,356	15,501,698
Pro forma basic and diluted net earning (loss) per share of ordinary shares (unaudited)(2)			$ (0.17)		$ 0.04

(1) Includes stock-based compensation expense related to options granted to employees and others as follows:

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
			(in thousands)	(unaudited)	
Cost of revenues	$ —	$ —	$ —	$ —	$ 8
Research and development, net	22	17	12	10	97
Sales and marketing	40	25	251	240	330
General and administrative	235	116	42	27	247
Total	$297	$158	$305	$277	$682

(2) Pro forma basic and diluted loss per ordinary share gives effect to the conversion upon the closing of this offering, assuming such closing occurred on September 30, 2006, of (1) all of our issued and outstanding preferred shares into 10,969,795 ordinary shares, and (2) all of our Series A ordinary shares into 611,349 ordinary shares. See Note 2r to our consolidated financial statements for an explanation of the number of shares used in computing per share data.

	As of September 30, 2006	
	Actual	Pro Forma as Adjusted
	(unaudited) (in thousands)	
Consolidated balance sheet data:		
Cash and cash equivalents	$ 4,547	$ 63,497
Marketable securities	8,897	8,897
Working capital	5,048	63,498
Total assets	27,524	85,974
Total liabilities	14,686	14,686
Accumulated deficit	(37,321)	(37,321)
Total shareholders' equity	12,838	71,288

Pro forma as adjusted information included above in the consolidated balance sheet data reflects (1) our receipt of estimated net proceeds of $58.5 million from our sale of the ordinary shares in this offering, based on an initial public offering price of $10.00 per share, the midpoint of the estimated initial public offering price range, after deducting the underwriting discount and estimated offering expenses, of which $0.5 million had been prepaid as of September 30, 2006 and is included in working capital, (2) the receipt of $1,128 by us pursuant to the issuance of 270,016 ordinary shares pursuant to the exercise on a cashless and non-cashless basis upon the closing of this offering of warrants to purchase Series B preferred shares, and (3) the receipt of $145 by us pursuant to the issuance of 14,094 ordinary shares pursuant to the exercise upon the closing of this offering of an option to purchase Series B preferred shares held by our founder and Chairman, Yigal Jacoby.

RISK FACTORS

This offering and an investment in our ordinary shares involve a high degree of risk. You should consider carefully the risks described below, together with the financial and other information contained in this prospectus, before you decide to buy our ordinary shares. If any of the following risks actually occurs, our business, financial condition and results of operations would suffer. In this case, the trading price of our ordinary shares would likely decline and you might lose all or part of your investment. The risks described below are not the only ones we face. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business operations.

Risks Relating to Our Business

We have a history of losses, may incur future losses and may not achieve profitability.

We have incurred net losses in each fiscal year since we commenced operations in 1997. We incurred net losses of $2.4 million in 2005, $3.3 million in 2004 and $2.3 million in 2003. As of September 30, 2006, our accumulated deficit was $37.3 million. Our losses could continue for the next several years as we expand our sales and marketing activities and continue to invest in research and development. We may incur losses in the future and may not generate sufficient revenues in the future to achieve profitability.

We are dependent on our NetEnforcer traffic management system and NetXplorer network management application suite for all of our revenue.

Our revenues are currently derived solely from sales of our NetEnforcer traffic management system and NetXplorer network management application suite, and from maintenance and support contracts related to these products. We currently expect that our revenues from these products will continue to account for all or substantially all of our revenues for the foreseeable future. As a result, any factor adversely affecting our ability to sell, or the pricing of or demand for, these products would severely harm our ability to generate revenues.

We may be unable to compete effectively with other companies in our market who offer, or may in the future offer, competing technologies.

We compete in a rapidly evolving and highly competitive sector of the networking technology market. Our principal competitors are Cisco Systems, Inc. (through its acquisition of P-Cube, Inc.), Sandvine Inc. and Ellacoya Networks, Inc. in the service provider market, and Packeteer Inc. in the enterprise market. We also compete in particular geographic areas with a number of smaller local competitors and we compete indirectly with router and switch infrastructure companies with features that address some of the problems that our products address. We also face competition from companies that offer partial solutions addressing only one aspect of the challenges facing broadband providers, such as network monitoring or security. Our competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry requirements, or may offer alternative methods to achieve customer objectives. One of our direct competitors, Cisco Systems, is substantially larger than we are and has significantly greater financial, sales and marketing, technical, manufacturing and other resources. The entry of new competitors into our market and acquisitions of our existing competitors by companies with significant resources and established relationships with our potential customers could result in increased competition and harm our business. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on our business, financial condition or result of operations.

Demand for our products depends in part on the rate of adoption of bandwidth-intensive broadband applications, such as peer-to-peer (P2P), and latency-sensitive applications, such as voice-over-Internet protocol (VoIP), Internet video and online video gaming applications.

Our products are used by service providers and enterprises to monitor and manage bandwidth-intensive applications that cause congestion in broadband networks and impact the quality of experience of users. In addition to the general increase in applications delivered over broadband networks that require large amounts

of bandwidth, such as P2P applications, demand for our products is driven particularly by the growth in applications which are highly sensitive to network delays and therefore require efficient network management. These applications include VoIP, Internet video and online video gaming applications. If the rapid growth in adoption of VoIP and in the popularity of Internet video and online video gaming applications does not continue, the demand for our products may not grow as anticipated.

We depend on third parties to market, sell, install, and provide initial technical support for our products.

We market and sell our products to end-customers through third party channel partners, such as distributors, resellers, OEMs and system integrators. Our channel partners are also responsible for installing our products and providing initial customer support for them. As a result, we depend on the ability of our channel partners to market and sell our products successfully to end-customers. If any significant channel partners fail, individually or in the aggregate, to perform as we expect, our sales may suffer. We also depend on our ability to maintain our relationships with existing channel partners and develop relationships in key markets with new channel partners. We cannot assure you that our channel partners will market our products effectively, receive and fulfill customer orders of our products on a timely basis or continue to devote the resources necessary to provide us with effective sales, marketing and technical support. Our products are complex and it takes time for a new channel partner to gain experience in their operation and installation. Therefore, it may take a period of time before a new channel partner can successfully market, sell and support our products if an existing channel partner ceases to sell our products.

Our channel partners install our products and provide initial customer support to end-customers of our products. Any failure by our channel partners to provide adequate support to end-customers could result in customer dissatisfaction with us or our products, which could result in a loss of customers, harm our reputation and delay or limit market acceptance of our products.

Our agreements with channel partners are generally not exclusive and our channel partners may market and sell products that compete with our products. Our agreements with our distributors and resellers are usually for an initial one year term and following the expiration of this term, they can be terminated by either party. We can give no assurance that these agreements will not be terminated upon proper notice and any such termination may adversely affect our profitability and results of operations.

The market for our products in the service provider market is still emerging and our growth may be harmed if carriers do not adopt DPI solutions.

The market for DPI technology is still emerging and the majority of our sales to date have been to small and midsize service providers and enterprises. We believe that the largest service providers, referred to as Tier 1 carriers, as well as cable and mobile operators, present a significant market opportunity and are an important element of our long term strategy, but they are still in the early stages of evaluating the benefits and applications of DPI technology. Carriers may decide that full visibility into their networks or highly granular control over content based applications is not critical to their business. They may also determine that certain applications, such as VoIP or video, can be adequately prioritized in their networks by using router and switch infrastructure products without the use of DPI technology. They may also, in some instances, face regulatory constraints that could change the characteristics of the markets. Furthermore, widespread adoption of our products by carriers will require that they migrate to a new business model based on offering subscriber and application-based tiered services and market these new services successfully to consumers. If carriers decide not to adopt DPI technology, our market opportunity would be reduced and our growth rate may be harmed.

Demand for our products may be impacted by government regulation of the telecommunications industry.

Carriers are subject to government regulation in jurisdictions in which we sell our products. For example, there has been a series of draft bills introduced to the U.S. Congress in the first half of 2006 that would prohibit service providers from prioritizing applications from content providers who are prepared to pay for such service. To date, none of these bills has been adopted; however, some of these bills may still be raised for consideration and other jurisdictions in which we operate may adopt similar legislation. Advocates for the

legislation claim that collecting premium fees from certain "preferred" customers would distort the market for Internet applications in favor of larger and better-funded content providers and would impact end users who purchased broadband access only to experience differing response times in interacting with various content providers. Opponents of the legislation believe that content providers who support bandwidth-intensive applications should be required to pay service providers a premium in order to support further network investments. Demand from carriers for the traffic management and subscriber management features of our products could be adversely affected if regulations prohibit, or limit, service providers from managing traffic on their networks. A decrease in demand for these features could adversely impact sales of our products.

Sales of our products to large service providers can involve a lengthy sales cycle, which may impact the timing of our revenues and result in us expending significant resources without making any sales.

The length of our sales cycles to large service providers, including carriers and cable and mobile operators, is generally lengthy, as these end-customers undertake significant testing to assess the performance of our products within their networks. As a result, we may invest significant time from initial contact with a large service provider until that end-customer decides to incorporate our products in its network. We may also expend significant resources attempting to persuade large service providers to incorporate our products into their networks without success. Even after deciding to purchase our products, initial network deployment of our products by a large service provider may last up to three years. Carriers, especially in North America, often require that products they purchase meet Network Equipment Building System (NEBS) certification requirements, which relate the reliability of telecommunications equipment. Our NetEnforcer AC-1000 and AC-2500 are designed to meet NEBS certification requirements and are currently undergoing the certification process, but carriers may not choose to use our systems until we receive the certification. If a competitor succeeds in convincing a large service provider to adopt that competitor's product, it may be difficult for us to displace the competitor because of the cost, time, effort and perceived risk to network stability involved in changing solutions. As a result we may incur significant expense without generating any sales.

Our revenues and business will be harmed if we do not keep pace with changes in broadband applications and with advances in technology.

We will need to invest heavily in developing our DPI technology in order to keep pace with rapid changes in applications, increased broadband network speeds and with our competitors' efforts to advance their technology. Designers of broadband applications that our products are designed to identify and manage are using increasingly sophisticated methods to avoid detection and management by network operators. Even if our products successfully identify a particular application, it is sometimes necessary to distinguish between different types of traffic belonging to a single application. Accordingly, we face significant challenges in ensuring that we identify new applications as they are introduced without impacting network performance, especially as networks become faster. This challenge is increased as we seek to expand sales of our products in new geographic territories because the applications vary from country to country and region to region. If we fail to address the needs of customers in particular geographic markets and if we fail to develop enhancements to our products in order to keep pace with advances in technology, our business and revenues will be adversely affected.

We currently depend on a single subcontractor, R.H. Electronics Ltd., to manufacture and provide hardware warranty support for our NetEnforcer traffic management system and if it experiences delays, disruptions, quality control problems or a loss in capacity, it could materially adversely affect our operating results.

We currently depend on a single subcontractor, R.H. Electronics Ltd., to manufacture, assemble, test, package and provide hardware warranty support for all of our NetEnforcer traffic management systems, although we are negotiating with candidates for an additional third-party manufacturer. In addition, our agreement with R.H. Electronics requires it to procure and store key components for the NetEnforcer at its facilities. If R.H. Electronics experiences delays, disruptions or quality control problems in manufacturing our products, or if we fail to effectively manage the relationship with R.H. Electronics, shipments of products to our customers may be delayed and our ability to deliver products to customers could be materially adversely

affected. Our agreement with R.H. Electronics is automatically renewed annually for additional one-year terms, unless R.H. Electronics elects not to renew by giving us at least 90 days prior notice to the expiration of any such term. Furthermore, R.H. Electronics may terminate our agreement at any time during the term upon 120 days prior notice. We expect that it would take approximately six months to transition manufacturing of our products to an alternate manufacturer and our inventory of completed products may not be sufficient for us to continue delivering products to our customers on a timely basis during any such transition. Therefore, the loss of R.H. Electronics would adversely affect our sales and operating results, and harm our reputation.

R.H. Electronics' facilities are located in northern Israel and are in range of rockets that were fired recently from Lebanon into Israel. In the event that the facilities of R.H. Electronics are damaged as a result of hostile action, our ability to deliver products to customers could be materially adversely affected. See also "Risk Factors — Conditions in Israel could adversely affect our business, and — Our operations may be disrupted by the obligations of personnel to perform military service."

Certain components for our NetEnforcer traffic management systems come from single or limited sources, and we could lose sales if these sources fail to satisfy our supply requirements.

Certain components used in our NetEnforcer systems are obtained from single or limited sources. Since our NetEnforcer systems have been designed to incorporate these specific components, any change in these components due to an interruption in supply or our inability to obtain such components on a timely basis would require engineering changes to our products before we could incorporate substitute components. Such changes could be costly and result in lost sales. In particular, the central processing unit for our NetEnforcer AC-400 and our NetEnforcer AC-800 is from Intel Corporation and the network processor for our NetEnforcer AC-1000 and our NetEnforcer AC-2500 is from Hifn Inc.

If we or our contract manufacturer fail to obtain components in sufficient quantities when required, our business could be harmed. Our suppliers also sell products to our competitors. Our suppliers may enter into exclusive arrangements with our competitors, stop selling their products or components to us at commercially reasonable prices or refuse to sell their products or components to us at any price. Our inability to obtain sufficient quantities of single-source or limited-sourced components, or to develop alternative sources for components or products would harm our ability to maintain and expand our business.

The slowdown in capital expenditures by telecommunications service providers in prior years had a material adverse effect on our results of operations. Another down turn in technology spending could have a material adverse effect on our results of operations.

A deterioration of economies around the world and economic uncertainty in the telecommunications market began in 2000 and continued through 2003. There was a curtailment of capital investment by telecommunications carriers and service providers as well as by businesses that use our products, referred to as the enterprise market. Recent increased expenditures in the telecommunications industry in general or in the broadband portion of the market in particular may not continue. Since a substantial portion of our operating expenses consist of salaries, we may not be able to reduce our operating expenses in line with any reduction in revenues or may elect not to do so for business reasons. We will need to continue to generate increased revenues and manage our costs to maintain profitability. Any future industry downturn may increase our inventories, decrease our revenues, result in additional pressure on the price of our products and prolong the time until we are paid, all of which would have a material adverse effect on the results of our operations and on our cash flow from operations.

We use certain "open-source" software tools that carry the risk of being subject to intellectual property infringement claims, the assertion of which could impair our product development plans, interfere with our ability to support our customers or require us to pay licensing fees.

Our NetEnforcer traffic management systems and NetXplorer management application suite contain software from open source code sources. Open source code is software that is accessible, usable and modifiable by anyone, provided that users and modifiers abide by certain licensing requirements. The original

developers of the open source code provide no warranties on such code. Our products include, for example, open source code such as the Linux kernel and the GNU/Linux operating system. The Linux kernel and the GNU/Linux operating system have been developed under a license (known as a General Public License or GPL), which permits them to be liberally copied, modified and distributed.

Under certain conditions, the use of some open source code to create derivative code may obligate us to make the resulting derivative code available to others at no cost. The circumstances under which our use of open source code would compel us to offer derivative code at no cost are subject to different interpretations. While we have periodically undertaken reviews of our use of open source code in an effort to avoid situations that would require us to make parts of our core proprietary technology freely available as open source code, we cannot guarantee that such circumstances will not occur or that a court would not conclude that, under a different interpretation of an open source license, certain of our core technology must be made available as open source code. The use of such open source code may also ultimately require us to take remedial action, such as replacing certain code used in our products, paying a royalty to use some open source code, making certain proprietary source code available to others or discontinuing certain products, that may divert resources away from our development efforts.

The license under which we licensed the Linux kernel and GNU/Linux operating system, is currently the subject of litigation in the case of The SCO Group, Inc. v. International Business Machines Corp., pending in the United States District Court for the District of Utah. SCO filed its complaint in 2003. According to the current schedule, the parties will complete summary judgment briefing by December 8, 2006 and the court has postponed the jury-trial date of February 26, 2007, pending the outcome of the motions. SCO has alleged that certain versions of the Linux kernel and GNU/Linux operating system contributed by IBM contain unauthorized UNIX code or derivative works of UNIX code, which SCO claims it owns. If the court were to rule in SCO's favor and find, for example, that GNU/Linux-based products, or significant portions of them, may not be liberally copied, modified or distributed, we may have to modify our products and/or seek a license to use the code in question, which may or may not be available on commercially reasonable terms, and this could have a material adverse effect on our business. Regardless of the merit of SCO's allegations, uncertainty concerning SCO's allegations could adversely affect our products and customer relationships.

If we are unable to successfully protect the intellectual property embodied in our technology, our business could be harmed significantly.

Know-how relating to networking protocols, building carrier-grade systems and identifying applications is an important aspect of our intellectual property. To protect our know-how, we customarily require our employees, distributors, resellers, software testers and contractors to execute confidentiality agreements or agree to confidentiality undertakings when their relationship with us begins. Typically, our employment contracts also include the following clauses: assignment of intellectual property rights for all inventions developed by employees, non-disclosure of all confidential information, and non-compete clauses for six months following termination of employment. The enforceability of non-compete clauses in Israel is limited. We cannot provide any assurance that the terms of these agreements are being observed and will be observed in the future. Because our product designs and software are stored electronically and thus are highly portable, we attempt to reduce the portability of our designs and software by physically protecting our servers through the use of closed networks, which prevent external access to our servers. We cannot be certain, however, that such protection will adequately deter individuals or groups from wrongful access to our technology. Monitoring unauthorized use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the law of the United States. We cannot be certain that the steps we have taken to protect our proprietary information will be sufficient. In addition, to protect our intellectual property, we may become involved in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of our business or adversely affect our revenue, financial condition and results of operations.

As of September 30, 2006, we had a limited patent portfolio. We had two issued U.S. patents and four pending U.S. patent applications. We also have one pending counterpart application outside of the United

States, filed pursuant to the Patent Cooperation Treaty. While we plan to protect our intellectual property with, among other things, patent protection, there can be no assurance that:

- current or future U.S. or foreign patents applications will be approved;
- our issued patents will protect our intellectual property and not be held invalid or unenforceable if challenged by third parties;
- we will succeed in protecting our technology adequately in all key jurisdictions in which we or our competitors operate;
- the patents of others will not have an adverse effect on our ability to do business; or
- others will not independently develop similar or competing products or methods or design around any patents that may be issued to us.

The failure to obtain patents, inability to obtain patents with claims of a scope necessary to cover our technology, or the invalidation of our patents, may weaken our competitive position and may adversely affect our revenues.

We may be subject to claims of intellectual property infringement by third parties that, regardless of merit, could result in litigation and our business, operating results or financial condition could be materially adversely affected.

There can be no assurance that we will not receive communications from third parties asserting that our products and other intellectual property infringe, or may infringe their proprietary rights. We are not currently subject to any proceedings for infringement of patents or other intellectual property rights and are not aware of any parties that intend to pursue such claims against us. Any such claims, regardless of merit, could result in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays and materially disrupt the conduct of our business. As a consequence of such claims, we could be required to pay a substantial damage award, develop non-infringing technology, enter into royalty-bearing licensing agreements, stop selling our products or re-brand our products. If it appears necessary, we may seek to license intellectual property that we are alleged to infringe. Such licensing agreements may not be available on terms acceptable to us or at all. Litigation is inherently uncertain and any adverse decision could result in a loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses from others and otherwise negatively affect our business. In the event of a successful claim of infringement against us and our failure or inability to develop non-infringing technology or license the infringed or similar technology, our business, operating results or financial condition could be materially adversely affected.

Our products are highly technical, and any undetected software or hardware errors in our products could have a material adverse effect on our operating results.

Our products are complex and are incorporated into broadband networks which are a major source of revenue for service providers and which support critical applications for subscribers and enterprises. Due to the complexity of our products and variations among customers' network environments, we may not detect product defects until full deployment in our customers' networks. Regardless of whether warranty coverage exists for a product, we may be required to dedicate significant technical resources to resolve any defects. If we encounter significant product problems, we could experience, among other things, loss of major customers, cancellation of product orders, increased costs, delay in recognizing revenue, and damage to our reputation. In addition, we could face claims for product liability, tort, or breach of warranty. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention. In addition, if our business liability insurance is inadequate or future coverage is unavailable on acceptable terms or at all, our financial condition could be harmed.

We need to increase the functionality of our products and offer additional features in order to maintain or increase our profitability.

The market in which we operate is highly competitive and unless we continue to enhance the functionality of our products and add additional features, our competitiveness may be harmed and the average selling prices for our products may decrease over time. Such a decrease would generally result from the introduction by competitors of competing products and from the standardization of DPI technology. To counter this trend, we endeavor to enhance our products by offering higher system speeds, and additional features, such as additional security functions, supporting additional applications and enhanced reporting tools. We may also need to reduce our per unit manufacturing costs at a rate equal to or faster than the rate at which selling prices decline. If we are unable to reduce these costs or to offer increased functionally and features, our profitability may be adversely affected.

If we fail to attract and retain skilled employees, we may not be able to timely develop, sell or support our products.

Our success depends in large part on the continued contribution of our research and development, sales and marketing and managerial personnel. If our business continues to grow, we will need to hire additional qualified research and development, sales and marketing and managerial personnel to succeed. The process of hiring, training and successfully integrating qualified personnel into our operation is a lengthy and expensive one. The market for qualified personnel is very competitive because of the limited number of people available with the necessary technical skills, sales skills and understanding of our products and technology. This is particularly true in Israel, where competition for qualified personnel is intense. Our failure to hire and retain qualified personnel could cause our revenues to decline and impair our ability to meet our research and development and sales objectives.

The European Union has issued directives relating to the sale in member countries of electrical and electronic equipment, including products sold by us. If our products fail to comply with these directives, we could be subject to penalties and sanctions that could materially adversely affect our business.

A directive issued by the European Union, or EU, on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, referred to as RoHS, came into effect on July 1, 2006. The RoHS directive, lists a number of substances, including lead, mercury, cadmium and hexavalent chromium, which must either be removed, or reduced to maximum permitted concentrations, in any products containing electrical or electronic components that are sold within the EU. Our products fall within the scope of the RoHS directive. We believe that our products are currently compliant with the RoHS directive. There can, however, be no assurance that we will continue to comply with the RoHS directive or any similar directives in other jurisdictions in the future.

In 2003, the EU approved a directive on Waste Electrical and Electronic Equipment, or WEEE, which promotes waste recovery with a view to reducing the quantity of waste for disposal and saving natural resources, in particular by reuse, recycling, composting and recovering energy from waste. The WEEE directive covers all electrical and electronic equipment used by consumers and electronic equipment intended for professional use. The directive, which went into effect in August 2005, requires that all new electrical and electronic equipment placed for sale in the EU be appropriately labeled regarding waste disposal and contains other obligations regarding the collection and recycling of waste electrical and electronic equipment. Our products fall within the scope of the WEEE directive, with which we believe we are compliant and are taking all requisite steps to ensure continued compliance.

The countries of the EU form the largest single market for our products. If our products fail to comply with WEEE or RoHS directives, we could be subject to heavy penalties and other sanctions that could have a material adverse affect on our results of operations and financial condition.

Our international operations expose us to the risk of fluctuation in currency exchange rates.

In 2005, we derived our revenues principally in U.S. dollars and to a lesser extent in euros and shekels. Although a majority of our expenses were denominated in U.S. dollars, a significant portion of our expenses were denominated in shekels and to a lesser extent in euros and yen. Our shekel-denominated expenses consist principally of salaries and related personnel expenses. We anticipate that a material portion of our expenses will continue to be denominated in shekels. If the U.S. dollar weakens against the shekel, there will be a negative impact on our profit margins. We currently do not hedge our currency exposure through financial instruments. In addition, if we wish to maintain the dollar-denominated value of our products in non-U.S. markets, devaluation in the local currencies of our customers relative to the U.S. dollar could cause our customers to cancel or decrease orders or default on payment.

We may expand our business or enhance our technology through acquisitions that could result in diversion of resources and extra expenses. This could disrupt our business and adversely affect our financial condition.

Part of our strategy is to selectively pursue partnerships and acquisitions that provide us access to complementary technologies and accelerate our penetration into new markets. For example, in 2002 we acquired the assets of NetReality, an Israeli manufacturer of traffic management solutions, which increased our customers base and enhanced our engineering capabilities and technology. The negotiation of acquisitions, investments or joint ventures, as well as the integration of acquired or jointly developed businesses or technologies, could divert our management's time and resources. Acquired businesses, technologies or joint ventures may not be successfully integrated with our products and operations. We may not realize the intended benefits of any acquisition, investment or joint venture and we may incur future losses from any acquisition, investment or joint venture.

In addition, acquisitions could result in:

• substantial cash expenditures;

• potentially dilutive issuances of equity securities;

• the incurrence of debt and contingent liabilities;

• a decrease in our profit margins;

• amortization of intangibles and potential impairment of goodwill; and

• write-offs of in-process research and development.

If acquisitions disrupt our operations, our business may suffer.

Under current U.S. and Israeli law, we may not be able to enforce employees' covenants not to compete and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

It is our practice to have our employees sign appropriate non-compete agreements. These agreements prohibit our employees, if they cease working for us, from competing directly with us or working for our competitors for a limited period. Under current U.S. and Israeli law, we may be unable to enforce these agreements and it may be difficult for us to restrict our competitors from gaining the expertise our former employees gained while working for us. If we cannot enforce our employees' non-compete agreements, we may be unable to prevent our competitors from benefiting from the expertise of our former employees.

We have not yet evaluated our internal controls over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act.

We are required to comply with the internal control evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act by no later than the end of our 2007 fiscal year. We are in the process of determining whether our existing internal controls over financial reporting systems are compliant with

Section 404. This process may divert internal resources and will take a significant amount of time and effort to complete. If it is determined that we are not in compliance with Section 404, we may be required to implement new internal control procedures and reevaluate our financial reporting. We may experience higher than anticipated operating expenses as well as higher independent auditor fees during the implementation of these changes and thereafter. Further, we may need to hire additional qualified personnel in order for us to comply with Section 404. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting or financial results and could result in our being unable to obtain an unqualified report on internal controls from our independent auditors.

Risks Related to this Offering

There has been no prior market for our ordinary shares and our share price may be volatile.

Prior to this offering there has been no public market for our ordinary shares. We cannot predict the extent to which investor interest will lead to the development of an active trading market in our ordinary shares or whether such a market will be sustained. The market price of our ordinary shares may be volatile and could fluctuate substantially due to many factors, including:

- announcements or introductions of technological innovations or new products, or product enhancements or pricing policies by us or our competitors;
- disputes or other developments with respect to our or our competitors' intellectual property rights;
- announcements of strategic partnerships, joint ventures or other agreements by us or our competitors;
- recruitment or departure of key personnel;
- regulatory developments in the markets in which we sell our product;
- our sale of ordinary shares or other securities in the future;
- changes in the estimation of the future size and growth of our markets; and
- market conditions in our industry, the industries of our customers and the economy as a whole.

Share price fluctuations may be exaggerated if the trading volume of our ordinary shares is too low. The lack of a trading market may result in the loss of research coverage by securities analysts. Moreover, we cannot assure you that any securities analysts will initiate or maintain research coverage of our company and our ordinary shares. If our future quarterly operating results are below the expectations of securities analysts or investors, the price of our ordinary shares would likely decline. Securities class action litigation has often been brought against companies following periods of volatility. Any securities litigation claims brought against us could result in substantial expense and divert management's attention from our business.

Following the closing of this offering, a small number of significant beneficial owners of our shares acting together will have a controlling influence over matters requiring shareholder approval, which could delay or prevent a change of control.

Following the closing of this offering, the largest beneficial owners of our shares, entities and individuals affiliated with Tamir Fishman Ventures, the Gemini Group, Genesis Partners, and Odem Rotem Holdings Ltd., a company owned and controlled by our Chairman, Yigal Jacoby, each of which currently beneficially owns more than 10.0% of our outstanding shares, will beneficially own in the aggregate 38.6% of our ordinary shares or 37.0% if the underwriters exercise their option to purchase additional shares. As a result, these shareholders, acting together, could exercise a controlling influence over our operations and business strategy and will have sufficient voting power to control the outcome of matters requiring shareholder approval. These matters may include:

- the composition of our board of directors which has the authority to direct our business and to appoint and remove our officers;
- approving or rejecting a merger, consolidation or other business combination;

• raising future capital; and

• amending our articles of association which govern the rights attached to our ordinary shares.

This concentration of ownership of our ordinary shares could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our ordinary shares that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our ordinary shares. This concentration of ownership may also adversely affect our share price.

Future sales of our ordinary shares following this offering could cause the market price of our ordinary shares to drop significantly, even if our business is profitable.

Upon completion of this offering, we will have 20,914,233 ordinary shares outstanding. The 6,500,000 ordinary shares we are selling in this offering will be freely tradable without restriction immediately following this offering. Our directors and officers, and holders of nearly all of our outstanding shares, have signed lock-up agreements for a period of 180 days following the date of this prospectus, subject to extension in the case of an earnings release or material news or a material event relating to us. Lehman Brothers Inc. may, in its sole discretion and without notice, release all or any portion of the ordinary shares subject to lock-up agreements. As restrictions on resale end, the market price of our ordinary shares could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our ordinary shares or other securities. The following chart shows when we expect that the remaining 14,414,233 ordinary shares that are not being sold in this offering will be available for resale in the public markets.

Number of Shares/ Percentage of Total Outstanding	Date of Availability for Resale Into the Public Market
218,864/1.0%	Upon the date of this prospectus.
161,302/0.8%	90 days after the date of this prospectus.
13,924,274/66.6%	180 days after the date of this prospectus of which 9,850,355, or 47.1%, are subject to volume limitations under Rule 144.
109,793/0.5%	More than 180 days after the date of this prospectus.

In addition to our outstanding shares, as of the date of this prospectus, we have granted options to purchase 3,451,439 ordinary shares under our share option plans. The holders of options to purchase 88,409 ordinary shares that are vested and exercisable as of the date of this prospectus are not required to sign lock-up agreements with respect to such shares in the event that they exercise options. Accordingly, following any such exercise, these optionholders will be able to sell the shares underlying the options into the public markets beginning 90 days after the date of this prospectus pursuant to Rule 701. The holders of nearly all of the remaining options that we have granted under the terms of our share option plans are required to sign a lock-up agreement upon our request and we have undertaken to the underwriters to require any such optionholder exercising an option during the 180-day period following this offering to sign such a lock-up agreement. In addition, we have agreed that we will not file a registration statement on Form S-8 for the resale of securities underlying employee share options until at least 90 days after the date of this prospectus. After 180 days following this offering, subject to the lock-up agreement described above, holders of 11,545,147 ordinary shares and options and warrants to purchase ordinary shares are entitled to request that we register their shares for resale and these shareholders, optionholders and warrantholders have the right to include their shares in a registration statement for any public offering we undertake in the future. The registration or sale of any of these shares could cause the market price of our ordinary shares to drop significantly. See “Certain Relationships and Related Party Transactions — Registration Rights.”

Our U.S. shareholders may suffer adverse tax consequences if we are characterized as a Passive Foreign Investment Company.

Generally, if for any taxable year 75% or more of our gross income is passive income, or at least 50% of our assets are held for the production of, or produce, passive income, we would be characterized as a passive foreign investment company for U.S. federal income tax purposes. To determine if at least 50% of our assets

are held for the production of, or produce, passive income we may use the market capitalization method for certain periods. Under the market capitalization method, the total asset value of the Company would be considered to equal the fair market value of its outstanding shares plus outstanding indebtedness on a relevant testing date. Because the market price of our ordinary shares is likely to fluctuate after this offering, the market price of the shares of technology companies has been especially volatile, and the market price may affect the determination of whether we will be considered a passive foreign investment company, there can be no assurance that we will not be considered a passive foreign investment company for any taxable year. If we are characterized as a passive foreign investment company, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. holders, and having potentially punitive interest charges apply to the proceeds of share sales. See "Taxation and Government Programs — United States Federal Income Taxation — Distributions — Passive Foreign Investment Company Considerations."

You will experience immediate and substantial dilution in the net tangible book value of the ordinary shares you purchase in this offering.

The initial public offering price of our ordinary shares is expected to exceed substantially the net tangible book value per share of our ordinary shares immediately after this offering. Therefore, based on an assumed initial public offering price of $10.00 per share, if you purchase our ordinary shares in this offering, you will suffer immediate dilution of $6.60 per share or $6.33 if the underwriters exercise their option to purchase additional ordinary shares. As a result of this dilution, investors purchasing 6,500,000 ordinary shares from us will have contributed 57.9% of the total amount of our total net funding to date but will only own 31.1% of our equity. If outstanding options and warrants to purchase our ordinary shares are exercised in the future, you will experience additional dilution.

Our management will have broad discretion over the use of proceeds from this offering and may not obtain a favorable return on the use of these proceeds.

Our management will have broad discretion in determining how to spend the net proceeds from this offering and may spend the proceeds in a manner that our shareholders may not deem desirable. We currently intend to use the net proceeds from this offering to fund our research and development activities, expand our business development and marketing activities, and other general corporate purposes and working capital. We may also use a portion of the net proceeds to acquire or invest in complementary companies, products or technologies. We cannot assure you that these uses or any other use of the net proceeds of this offering will yield favorable returns or results.

Risks Relating to our Location in Israel

Conditions in Israel could adversely affect our business.

We are incorporated under Israeli law and our principal offices, and research and development facilities are located in Israel. In addition, the subcontractor for our products is located in Israel. Accordingly, political, economic and military conditions in Israel directly affect our business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors. Although Israel has entered into various agreements with Egypt, Jordan and the Palestinian Authority, there has been an increase in unrest and terrorist activity, which began in September 2000 and has continued with varying levels of severity into 2006. The recent election of representatives of the Hamas movement to a majority of seats in the Palestinian Legislative Council has resulted in an escalation in violence and among Israel, the Palestinian Authority and other groups. In July and August 2006, significant fighting took place between Israel and Hezbollah in Lebanon, resulting in rockets being fired from Lebanon up to 50 miles into Israel. Furthermore, several countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel continue or increase. These restrictions may limit materially our ability to sell our solutions to companies in these countries. Any hostilities involving Israel or the interruption or curtailment of trade

between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could adversely affect our operations and product development, cause our revenues to decrease and adversely affect the share price of publicly traded companies having operations in Israel, such as us. Additionally, any hostilities involving Israel may have a material adverse effect on R.H. Electronics and its facilities in which event, all or a portion of our inventory may be damaged, and our ability to deliver products to customers may be materially adversely affected.

Our operations may be disrupted by the obligations of personnel to perform military service.

As of September 30, 2006, we had 232 employees of whom 170 were based in Israel. Our employees in Israel, including three executive officers, may be called upon to perform up to one month (in some cases more) of annual military reserve duty until they reach age 45 and, in emergency circumstances, could be called to active duty. In response to increased tension and hostilities, there have been since September 2000 occasional call-ups of military reservists, including in connection with recent hostilities in Lebanon, and it is possible that there will be additional call-ups in the future. Our operations could be disrupted by the absence of a significant number of our employees related to military service or the absence for extended periods of one or more of our key employees for military service. Such disruption could materially adversely affect our business and results of operations. Additionally, the absence of a significant number of the employees of R.H. Electronics related to military service or the absence for extended periods of one or more of R.H. Electronics' key employees for military service may disrupt its operations in which event our ability to deliver products to customers may be materially adversely affected.

The tax benefits that are available to us require us to meet several conditions and may be terminated or reduced in the future, which would increase our costs and taxes.

Our investment program in equipment at our facility in Hod-Hasharon, Israel has been granted approved enterprise status and we are therefore eligible for tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959, referred to as the Investment Law. We expect to utilize these tax benefits after we utilize our net operating loss carry forwards. As of December 31, 2005, the end of our last fiscal year, our net operating loss carry forwards for Israeli tax purposes amounted to approximately $20.5 million. To remain eligible for these tax benefits, we must continue to meet certain conditions stipulated in the Investment Law and its regulations and the criteria set forth in the specific certificate of approval, including, among other conditions, that the approved enterprise be operated over a seven-year period and that at least 30% of our investment in fixed assets of the approved enterprise be funded by additional paid-up ordinary share capital. If we do not meet the conditions stipulated in the Investment Law and its regulations and the criteria set forth in the specific certificate of approval in the future, the tax benefits would be canceled and we could be required to refund any tax benefits that we have received. These tax benefits may not be continued in the future at their current levels or at any level.

Effective April 1, 2005, the Israeli Law for the Encouragement of Capital Investments was amended. As a result, the criteria for new investments qualified to receive tax benefits were revised. No assurance can be given that we will, in the future, be eligible to receive additional tax benefits under this law. The termination or reduction of these tax benefits would increase our tax liability in the future, which would reduce our profits or increase our losses. Additionally, if we increase our activities outside of Israel, for example, by future acquisitions, our increased activities might not be eligible for inclusion in Israeli tax benefit programs.

See "Taxation and Government Programs — Israeli Tax Considerations and Government Programs — Law for the Encouragement of Capital Investments, 1959."

The government grants we have received for research and development expenditures restrict our ability to manufacture products and transfer technologies outside of Israel and require us to satisfy specified conditions. If we fail to comply with such restrictions or these conditions, we may be required to refund grants previously received together with interest and penalties, and may be subject to criminal charges.

We have received grants from the government of Israel through the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor, for the financing of a portion of our research and development

expenditures in Israel, pursuant to the provisions of The Encouragement of Industrial Research and Development Law, 1984, referred to as the Research and Development Law. In 2003, 2004 and 2005, we received and accrued grants totaling $2.7 million from the Office of the Chief Scientist, representing 27.0%, 18.4% and 10.9%, respectively, of our gross research and development expenditures in these periods. We may not receive future grants from the Office of the Chief Scientist and our failure to receive additional grants in the future could adversely affect our profitability.

The terms of the grants prohibit us from manufacturing products outside of Israel or transferring intellectual property rights in technologies developed using these grants inside or outside of Israel without special approvals. Even if we receive approval to manufacture our products outside of Israel, we may be required to pay an increased total amount of royalties, which may be up to 300% of the grant amount plus interest, depending on the manufacturing volume that is performed outside of Israel. This restriction may impair our ability to outsource manufacturing or engage in similar arrangements for those products or technologies. Know-how developed under an approved research and development program may not be transferred to any third parties, except in certain circumstances and subject to prior approval. In addition, if we fail to comply with any of the conditions and restrictions imposed by the Research and Development Law or by the specific terms of under which we received the grants, we may be required to refund any grants previously received together with interest and penalties, and may be subject to criminal charges. In recent years, the government of Israel has accelerated the rate of repayment of the Office of Chief Scientist grants and may further accelerate them in the future.

It may be difficult to enforce a U.S. judgment against us, our officers and directors and the Israeli experts named in this prospectus in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on our officers and directors and these experts.

We are incorporated in Israel. The majority of our executive officers and directors and the Israeli experts named in this prospectus are not residents of the United States, and the majority of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons in a U.S. or Israeli court, or to effect service of process upon these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. Even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above. See “Enforceability of Civil Liabilities.”

Provisions of Israeli law and our articles of association may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.

Our articles of association contain certain provisions that may delay or prevent a change of control, including a classified board of directors. In addition, Israeli corporate law regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving significant shareholders and regulates other matters that may be relevant to these types of transactions. These provisions of Israeli law could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire us, even if doing so would be beneficial to our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares. Furthermore, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders. See “Description of Ordinary Shares — Anti-Takeover Provisions under Israeli Law” and “Acquisitions under Israeli Law.”

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. These statements include but are not limited to:

- statements regarding the expected growth in the use of particular broadband applications;
- statements as to our ability to meet anticipated cash needs based on our current business plan;
- statements as to the impact of the rate of inflation and the political and security situation on our business; and
- our intended uses of the proceeds from this offering.

These statements may be found in the sections of this prospectus entitled “Prospectus Summary,” “Risk Factors,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” and in this prospectus generally, including the section of this prospectus entitled “Business — Overview” and “Business — Industry Overview,” which contains information obtained from independent industry sources. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including all the risks discussed in “Risk Factors” and elsewhere in this prospectus.

In addition, statements that use the terms “believe,” “expect,” “plan,” “intend,” “estimate,” “anticipate” and similar expressions are intended to identify forward-looking statements. All forward-looking statements in this prospectus reflect our current views about future events and are based on assumptions and are subject to risks and uncertainties that could cause our actual results to differ materially from future results expressed or implied by the forward-looking statements. Many of these factors are beyond our ability to control or predict. You should not put undue reliance on any forward-looking statements. Unless we are required to do so under U.S. federal securities laws or other applicable laws, we do not intend to update or revise any forward-looking statements.

The forward looking statements contained in this prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended.

USE OF PROCEEDS

Assuming an initial public offering price of $10.00 per share, the midpoint of the estimated initial public offering price range, we estimate that we will receive total net proceeds from this offering of $58.5 million, after deducting the underwriting discount and estimated offering expenses payable by us. A $1.00 increase (decrease) in the assumed initial public offering price of $10.00 per share would increase (decrease) the net proceeds from this offering by $6.0 million, assuming the number of shares offered, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discount and estimated offering expenses payable by us.

If the underwriters exercise their option to purchase additional ordinary shares, we estimate that we will receive an additional $9.1 million in net proceeds based on the midpoint of the estimated initial public offering price range.

We intend to use the net proceeds of this offering for research and development activities, expand our business development and marketing activities, and the remaining proceeds for general corporate purposes and working capital. We may also use a portion of the net proceeds to acquire or invest in complementary companies, products or technologies, although we currently do not have any acquisitions or investments planned.

We will have broad discretion in the way that we use the net proceeds of this offering. The amounts that we actually spend for the purposes described above may vary significantly and will depend, in part, on the timing and amount of our future revenues.

Pending use of the net proceeds as described above, we intend to invest the net proceeds in interest-bearing, investment-grade instruments with maturities of less than one year or deposit the net proceeds in bank accounts in Israel or outside of Israel.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our ordinary shares and we do not anticipate paying any cash dividends on our ordinary shares in the future. We currently intend to retain all future earnings to finance our operations and to expand our business. Any future determination relating to our dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including future earnings, capital requirements, financial condition and future prospects and other factors our board of directors may deem relevant.

CAPITALIZATION

The following table presents our capitalization as of September 30, 2006, assuming the closing of this offering on such date:

- on an actual basis;
- on a pro forma basis to give effect to the conversion upon the closing of this offering of (1) all of our issued and outstanding preferred shares into 10,969,795 ordinary shares, including 275,177 ordinary shares resulting from an anti-dilution adjustment for price protection granted to holders of our Series C preferred shares in connection with prior financings and this offering, and (2) all of our Series A ordinary shares into 611,349 ordinary shares; and
- on a pro forma as adjusted basis to give effect to:
  - the issuance upon the closing of this offering of 270,016 ordinary shares upon the exercise of warrants to purchase Series B preferred shares on a cashless and non-cashless basis, and the receipt of $1,128 by us from such exercise;
  - the issuance upon the closing of this offering of 14,094 ordinary shares upon the exercise of an option to purchase Series B preferred shares and the receipt of NIS 620, representing approximately $145, from such exercise, held by our founder and Chairman, Yigal Jacoby; and
  - the sale by us of 6,500,000 ordinary shares in this offering at the assumed initial public offering price of $10.00 per ordinary share, the midpoint of the estimated initial public offering price range, and the receipt by us of the estimated net proceeds of $58.5 million, after deducting the underwriting discount and estimated offering expenses payable by us.

You should read this table in conjunction with "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of September 30, 2006		
	Actual	Pro Forma (unaudited) (in thousands)	Pro Forma as Adjusted
Shareholders' equity:			
Ordinary shares and Series A ordinary shares: NIS 0.10 par value; 8,297,393 shares authorized actual and 200,000,000 shares authorized, pro forma and pro forma as adjusted; 2,815,439 shares issued and outstanding, actual; 14,374,301 shares issued, pro forma*; 14,127,822 shares outstanding, pro forma; 21,158,411 shares issued, pro forma as adjusted*; 20,911,932 shares outstanding, pro forma as adjusted	$ 33	$ 152	$ 469
Series A through E preferred shares, NIS 0.10 par value; 5,102,632 shares authorized, actual and zero shares authorized, pro forma and pro forma as adjusted; 4,809,926 shares issued, actual*; 4,701,569 shares outstanding, actual; zero issued and outstanding, pro forma and pro forma as adjusted	113	—	—
Additional paid-in capital	50,095	50,089	108,222
Deferred stock compensation	(43)	(43)	(43)
Additional other compensation loss	(39)	(39)	(39)
Accumulated deficit	(37,321)	(37,321)	(37,321)
Total shareholders' equity	$ 12,838	$ 12,838	$ 71,288
Total capitalization	$ 27,524	$ 27,524	$ 85,974

* Includes 246,479 ordinary shares that have been issued but are not outstanding, which are held in trust for the benefit of Mr. Jacoby pending his payment of the purchase price of such shares.

A $1.00 increase (decrease) in the assumed initial public offering price of $10.00 per share would increase (decrease) each of additional paid-in capital and total shareholders' equity by $6.0 million, assuming the number of ordinary shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting the estimated underwriting discount and offering expenses payable by us.

The preceding table excludes (1) 3,543,522 ordinary shares reserved for issuance under our share option plans as of September 30, 2006, of which options to purchase 3,470,318 ordinary shares at a weighted average exercise price of $2.26 per share have been granted, (2) except to the extent stated in the preceding table, 246,479 ordinary shares that had been issued, but are held in trust for the benefit of Mr. Jacoby pending his payment of the full purchase price of such shares, and (3) up to 163,705 ordinary shares issuable upon the exercise of warrants granted to two Israeli banks and an Israeli non-profit organization at a weighted average exercise price of $3.37 per share.

DILUTION

Our pro forma consolidated net tangible book value as of September 30, 2006 was $12.7 million, or $0.90 per ordinary share. Pro forma consolidated net tangible book value per share represents consolidated tangible net assets less consolidated liabilities divided by the number of ordinary shares outstanding on a pro forma basis after giving effect to the conversion of all outstanding preferred and Series A ordinary shares into ordinary shares. Our pro forma as adjusted consolidated net tangible book value as of September 30, 2006 would have been $71.2 million or $3.40 per ordinary share assuming the closing of this offering on such date after giving effect to:

- the issuance upon the closing of this offering of 270,016 ordinary shares upon the exercise of warrants to purchase Series B preferred shares on a cashless and non-cashless basis, and the receipt of $1,128 by us from such exercise;
- the issuance upon the closing of this offering of 14,094 ordinary shares upon the exercise of an option to purchase Series B preferred shares and the receipt of NIS620, approximately $145, from such exercise, held by our founder and Chairman, Yigal Jacoby;
- the conversion upon the closing of this offering of (1) all of our issued and outstanding preferred shares into 10,969,795 ordinary shares, including 275,177 ordinary shares resulting from an anti-dilution adjustment for price protection granted to holders of our Series C preferred shares in connection with prior financings and this offering, and (2) all of our Series A ordinary shares into 611,349 ordinary shares;
- the sale by us of 6,500,000 ordinary shares in this offering at the assumed initial public offering price of $10.00 per ordinary share, the midpoint of the estimated initial public offering price range, and the receipt by us of the estimated net proceeds of $58.5 million, after deducting the underwriting discount and estimated offering expenses payable by us.

This represents an immediate increase in pro forma consolidated net tangible book value of $2.50 per ordinary share to existing shareholders and an immediate dilution of $6.60 per ordinary share to new investors purchasing ordinary shares in this offering. Dilution per share represents the difference between the price per share to be paid by new investors for the ordinary shares sold in this offering and the pro forma consolidated net tangible book value per share immediately after this offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$10.00
Pro forma consolidated net tangible book value per share as of September 30, 2006	$0.90	
Increase in pro forma consolidated net tangible book value per share attributable to new investors in this offering	2.50	
Pro forma consolidated net tangible book value per share after this offering		3.40
Dilution per share to new investors		$ 6.60

A $1.00 increase (decrease) in the assumed initial public offering price of $10.00 per share would increase (decrease) the net tangible book value by $6.0 million, the net tangible book value per share after this offering by $0.29 per share and the dilution in net tangible book value per share to investors in this offering by $0.71 per share, assuming that the number of ordinary shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discount and offering expenses payable by us.

The following table presents the differences between the total consideration paid to us and the average price per share paid by existing shareholders and by new investors purchasing ordinary shares in this offering, before deducting the estimated underwriting discounts and estimated offering expenses payable by us:

	Ordinary Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing shareholders	14,411,932	68.9%	$ 43.3	40.0%	$ 3.00
New investors	6,500,000	31.1	65.0	60.0	10.00
Total	20,911,932	100.0%	$108.3	100.0%	

The preceding table excludes (1) 3,543,522 ordinary shares reserved for issuance under our share option plans as of September 30, 2006, of which options to purchase 3,470,318 ordinary shares at a weighted average exercise price of $2.26 per share had been granted, (2) 246,479 ordinary shares that have been issued, but are held in trust for the benefit of Mr. Jacoby pending his payment of the purchase price of such shares, and (3) up to 163,705 ordinary shares issuable upon the exercise of warrants granted to two Israeli banks and an Israeli non-profit organization at a weighted average exercise price of $3.37 per share.

Assuming the exercise in full of the underwriters' option to purchase 975,000 ordinary shares to cover over-allotments, the pro forma net tangible book value after giving effect to this offering would be $3.65 per share, and the dilution in pro forma net tangible book value per share to investors in this offering would be $6.35 per share.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus. The consolidated statements of operations data for the years ended December 31, 2003, 2004 and 2005 and the consolidated balance sheet data as of December 31, 2004 and 2005 are derived from our audited consolidated financial statements included elsewhere in this prospectus, which have been prepared in accordance with generally accepted accounting principles in the United States. The consolidated statements of operations for the years ended December 31, 2001 and 2002 and the consolidated balance sheet data as of December 31, 2001, 2002 and 2003 have been derived from our audited consolidated financial statements which are not included in this prospectus. The consolidated statements of operations data for the nine months ended September 30, 2005 and 2006 and the consolidated balance sheet data as of September 30, 2006 are derived from our unaudited consolidated financial statements that are included elsewhere in this prospectus. In the opinion of management, these unaudited interim consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and operating results for these periods. Results for interim periods are not necessarily indicative of the results that may be expected for the entire year.

	Year Ended December 31,					Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
						(unaudited)	
	(in thousands, except share and per share data)						
Consolidated statements of operations data:							
Revenues:							
Products	$ 5,881	$ 7,819	$ 13,122	$ 14,638	$ 18,498	$ 12,576	$ 20,718
Services	258	946	1,653	3,447	4,474	3,317	3,859
Total revenues	6,139	8,765	14,775	18,085	22,972	15,893	24,577
Cost of revenues:(1)							
Products	1,838	1,914	3,229	3,942	4,481	3,237	4,562
Services	224	270	362	679	938	699	845
Total cost of revenues	2,062	2,184	3,591	4,621	5,419	3,936	5,407
Gross profit	4,077	6,581	11,184	13,464	17,553	11,957	19,170
Operating expenses:							
Research and development, gross	6,244	4,041	4,053	4,851	6,652	4,964	6,737
Less royalty-bearing participation	1,710	1,144	1,094	894	727	582	1,095
Research and development, net(1)	4,534	2,897	2,959	3,957	5,925	4,382	5,642
Sales and marketing(1)	7,295	6,856	8,164	10,104	11,887	8,797	10,859
General and administrative(1)	2,739	1,679	1,832	2,081	2,380	1,709	2,260
Impairment of intangible assets	—	—	—	366	—	—	—
Total operating expenses	14,568	11,432	12,955	16,508	20,192	14,888	18,761
Operating income (loss)	(10,491)	(4,851)	(1,771)	(3,044)	(2,639)	(2,931)	409
Financing and other income (expenses), net	(29)	(490)	(507)	(241)	45	36	229
Income (loss) before income tax expenses (benefit)	(10,520)	(5,341)	(2,278)	(3,285)	(2,594)	(2,895)	638
Income tax expenses (benefit)	2	2	2	3	(218)	(178)	75
Net income (loss)	$ (10,522)	$ (5,343)	$ (2,280)	$ (3,288)	$ (2,376)	$ (2,717)	$ 563
Basic net earnings (loss) per share	$ (4.02)	$ (1.94)	$ (0.82)	$ (1.18)	$ (0.81)	$ (0.94)	$ 0.04
Diluted net earnings (loss) per share	$ (4.02)	$ (1.94)	$ (0.82)	$ (1.18)	$ (0.81)	$ (0.94)	$ 0.04
Weighted average number of shares used in computing basic net earnings (loss) per share	2,620,442	2,756,954	2,774,639	2,787,554	2,943,500	2,903,356	13,310,355
Weighted average number of shares used in computing diluted net earnings (loss) per share	2,620,442	2,756,954	2,774,639	2,787,554	2,943,500	2,903,356	15,501,698
Pro forma basic and diluted net earnings (loss) per share of ordinary shares (unaudited)(2)					$ (0.17)		$ 0.04

(1) Includes stock-based compensation expense related to options granted to employees and others as follows:

	Year Ended December 31,					Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
	(in thousands)					(unaudited)	
Cost of revenues	$ 4	$ 4	$ —	$ —	$ —	$ —	$ 8
Research and development, net	1,615	159	22	17	12	10	97
Sales and marketing	740	231	40	25	251	240	330
General and administrative	1,274	392	235	116	42	27	247
Total	$3,633	$786	$297	$158	$305	$ 277	$ 682

(2) Pro forma basic and diluted loss per ordinary share gives effect to the conversion upon the closing of this offering, assuming such closing occurred on September 30, 2006, of (1) all of our issued and outstanding preferred shares into 10,969,795 ordinary shares, including 275,177 ordinary shares resulting from an anti-dilution adjustment for price protection granted to holders of our Series C preferred shares in connection with prior financings and this offering, and (2) all of our Series A ordinary shares into 611,349 ordinary shares. See Note 2r to our consolidated financial statements for an explanation of the number of ordinary shares used in computing per share data.

	As of December 31,					As of September 30, 2006
	2001	2002	2003	2004	2005	
	(in thousands)					(unaudited)
Consolidated balance sheet data:						
Cash and cash equivalents	$ 4,953	$ 2,832	$ 3,631	$ 4,095	$ 3,677	$ 4,547
Marketable securities	—	—	—	4,846	4,581	8,897
Working capital	2,698	4,107	2,481	6,640	4,274	5,048
Total assets	10,429	11,075	10,771	17,167	17,591	27,524
Total liabilities	6,425	5,651	7,326	8,974	11,465	14,686
Accumulated deficit	(24,597)	(29,940)	(32,220)	(35,508)	(37,884)	(37,321)
Total shareholders' equity	4,004	5,424	3,446	8,193	6,126	12,838

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations contains forward-looking statements which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. We assume no obligation to update forward-looking statements or the risk factors. You should read the following discussion in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus.

Overview

We are a leading designer and developer of broadband service optimization solutions using advanced deep packet inspection, or DPI, technology. Our solutions provide broadband service providers and enterprises with real-time, highly granular visibility into, and control of, network traffic, and enable them to efficiently and effectively manage and optimize their networks. End-customers use our solutions to create sophisticated policies to monitor network applications, enforce quality of service policies that guarantee mission-critical application performance, mitigate security risks and leverage network infrastructure investments. Our carrier-class products are used by service providers to offer subscriber-based and application-based tiered services that enable them to optimize their service offerings, reduce churn rates and increase ARPU.

We were incorporated in late 1996 and commenced operations in 1997. Between 1998 and 2000, we focused primarily on developing our technology and products. In 1998, we shipped our first traffic management product. Between 2000 and 2003, we continued to develop our technology, including through our acquisition of the assets of NetReality, an Israeli manufacturer of traffic management solutions, which increased our customer base and resulted in an enhancement of our engineering capabilities. In 2003, we introduced our NetEnforcer AC-1000 product, which was the first commercially available network traffic management system operating above 1 gigabit full duplex throughput per second. In 2004, we increased our sales and marketing efforts to the service provider market and in late 2004 and in 2005 we accelerated sales to large service providers. In late 2005, we introduced our NetXplorer management application suite, which complements our NetEnforcer system, by adding a centralized management capability, and monitoring and reporting capabilities. In 2006, we introduced the NetEnforcer AC-2500, which supports up to 5 gigabit throughput per second, and our Subscriber Management Platform, which enhances our NetXplorer management application suite to include subscriber management.

We market and sell our products through our channel partners, which include distributors, resellers, OEMs and system integrators. End customers of our products include carriers, cable operators, wireless and wireline Internet service providers, educational institutions, governments and enterprises.

Revenues

We generate revenues from two sources: (1) sales of our NetEnforcer network traffic management system and our application suites, including our NetXplorer management application suite, and (2) maintenance and support services, including installation and training. We provide maintenance and support services pursuant to a one- or three-year maintenance and support program, which may be purchased by customers at the time of product purchase or on a renewal basis.

We recognize revenues from product sales when persuasive evidence of an agreement exists, delivery of the product has occurred, no significant obligations with respect to implementation remain, the fee is fixed or determinable, and collection is probable. We grant a one-year hardware warranty and a three-month software warranty on all of our products and take a reserve against revenues on account of possible warranty claims based on our historical experience. Warranty claims have to date been immaterial to our results of operations. We recognize revenues associated with our maintenance and support programs on a straight-line basis over the term of the maintenance and support agreement. See "Critical Accounting Policies and Estimates — Revenue Recognition."

Customer concentration. We derived approximately 13% of our revenues in 2003, 12% of our revenues in 2004 and 9% of our revenues in 2005 from a single U.S. distributor of our products to other resellers and system integrators in the United States. We derived 16% of our revenues in 2005 and 27% in the first nine months of 2006 from a single system integrator for our products in the United Kingdom, primarily in connection with the deployment of our products by NTL Group Limited, a leading United Kingdom cable operator. During these periods no other end-customer accounted for more than 5% of our revenues. We expect that sales attributable to NTL will decline significantly as a percentage of revenue in the last quarter of 2006 and in 2007 as deployment of a majority of our products by NTL is completed and as sales to other customers increase.

Geographical breakdown. The following table sets forth the geographic breakdown of our revenues for the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
United Kingdom	5%	12%	25%	25%	33%
United States	39	35	29	31	22
Europe (excluding United Kingdom)	24	26	21	18	17
Asia and Oceania	18	20	18	19	20
Middle East and Africa	3	4	4	3	5
Americas (excluding United States)	11	3	3	4	3
Total	100%	100%	100%	100%	100%

The increase in our revenues in the United Kingdom in 2005 and the first nine months of 2006 compared to our revenues in the other areas for the same periods is mainly attributable to sales to a local system integrator, primarily in connection with the deployment of our products by NTL. We expect that the percentage of our revenues from the United Kingdom will return to historical levels in the last quarter of 2006 and in 2007, as deployment of a majority of our products by NTL is completed and as sales in other geographic areas increase.

Cost of revenues

Our product cost of revenues consists primarily of costs of materials, manufacturing services and overhead, warehousing, testing and royalties paid to the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor. Our services cost of revenues consist primarily of salaries and related personnel costs for our help desk staff. We expect cost of revenues to increase primarily as a result of the increase in our product and service revenues, although we expect our gross margins to approximate current levels.

Operating expenses

Research and development. Our research and development expenses consist primarily of salaries and related personnel costs, costs for subcontractor services, depreciation, rent and costs of materials consumed in connection with the design and development of our products. We expense all of our research and development costs as they are incurred. Our net research and development expenses are our gross research and development expenses offset by financing through royalty-bearing grants from the Office of the Chief Scientist. Such participation grants are recognized at the time at which we are entitled to such grants on the basis of the costs incurred and included as a deduction of research and development expenses (See "— Government Grants" below). We believe significant investment in research and development is essential to our future success and expect that in future periods our research and development expenses will increase on an absolute basis but decrease as a percentage of revenues as sales increase.

Sales and marketing. Our sales and marketing expenses consist primarily of salaries and related personnel costs, travel expenses, costs associated with promotional activities such as public relations, conventions and exhibitions, rental expenses, depreciation and commissions paid to third parties. We intend to

continue our activities to target the service provider market and therefore we expect that sales and marketing expenses will increase on an absolute basis in the future as we hire additional sales, marketing and engineering personnel, continue to promote our brand and establish marketing channels and sales offices in additional U.S. and international locations. We expect that our sales and marketing expenses will decrease as a percentage of revenues as sales increase.

General and administrative. Our general and administrative expenses consist primarily of salaries and related personnel costs, rental expenses, costs for professional services and depreciation. We expect these expenses to increase on an absolute basis as we hire additional personnel and incur additional costs related to the growth of our business as well as the costs associated with being a public company, including corporate governance compliance under the Sarbanes-Oxley Act of 2002 and rules implemented by the U.S. Securities and Exchange Commission and Nasdaq, as well as director and officer liability insurance.

Amortization of deferred stock-based compensation. We have granted options to purchase our ordinary shares to our employees and consultants at prices below the fair market value of the underlying ordinary shares on the grant date. These options were considered compensatory because the deemed fair market value of the underlying ordinary shares was greater than the exercise prices determined by our board of directors on the option grant date. The determination of the fair market value of the underlying ordinary shares prior to this offering involved subjective judgment, third party valuations and the consideration by our board of directors of a variety of factors. Because there has been no public market for our ordinary shares prior to this offering, the amount of the compensatory charge was not based on an objective measure, such as the trading price of our ordinary shares. We discuss in detail the factors affecting our determination of the deemed fair value of the underlying ordinary shares below in "Critical Accounting Policies and Estimates — Accounting for Stock-Based Compensation." As of January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123(R) "Share Based Payment", or SFAS No. 123(R), which requires us to expense the fair value of employee stock options. We adopted the fair value recognition provisions of SFAS No. 123(R), using the modified prospective method for grants that were measured using the fair value method and adopted SFAS No. 123(R) using the prospective-transition method for grants that were measured using the Minimum Value method in SFAS No. 123 for either recognition or pro forma disclosures. The fair value of stock-based awards granted after January 1, 2006, was estimated using the binominal model. As a result of adopting SFAS No. 123(R) on January 1, 2006, our net income for the nine month period ended September 30, 2006, is $252,000 lower with a negative effect of $0.01 on basic or diluted earnings per share, than if it had continued to account for stock based compensation under Accounting Principles Board Opinion 25 "Accounting for Stock Issued to Employees", or APB 25.

In connection with the grant of options, we recorded total stock-based compensation expenses of $297,000 in 2003, $158,000 in 2004 and $305,000 in 2005. We also recorded a total stock-based compensation expense of $682,000 in the nine months ended September 30, 2006, of which $8,000, $97,000, $330,000 and $247,000 resulted from cost of revenue, research and development expenses, sales and marketing expenses and general and administrative expenses, respectively, based on the division in which the recipient of the option grant was employed. As of September 30, 2006, we had an aggregate of $3.1 million of deferred unrecognized stock-based compensation remaining to be recognized. We estimate that this deferred unrecognized stock-based compensation balance will be amortized as follows: approximately $0.4 million during the remainder of 2006, approximately $1.0 million in 2007 and approximately $0.8 million in 2008 and approximately $0.9 million in 2009 and thereafter.

Financial income (expenses), net

Financial income consists primarily of interest earned on our cash balances and other financial investments, foreign currency exchange gains and, to a lesser extent, interest accrued on loans made to employees. Financing expenses consist primarily of amortization of discounts on bank-credit lines, bank fees, foreign currency exchange losses and interest accrued on banks loans.

Corporate Tax

Israeli companies are generally subject to corporate tax at the rate of 31% of their taxable income in 2006. The rate is scheduled to decline to 29% in 2007, 27% in 2008, 26% in 2009 and 25% in 2010 and thereafter. However, the effective tax rate payable by a company that derives income from an Approved Enterprise designated as such under the Law for the Encouragement of Capital Investments, 1959 (the "Investment Law") may be considerably less. Our investment programs in equipment at our facilities in Hod-Hasharon, Israel have been granted Approved Enterprise status under the Investment Law and enjoys certain tax benefits. We expect to utilize these tax benefits after we utilize our net operating loss carry forwards. As of December 31, 2005, the end of our last fiscal year, our net operating loss carry forwards for Israeli tax purposes amounted to approximately $20.5 million. Income derived from other sources, other than the "Approved Enterprise," during the benefit period will be subject to tax at the regular corporate tax rate. For more information about the tax benefits available to us as an Approved Enterprise see "Taxation and Government Programs — Law for the Encouragement of Capital Investments, 1959."

NetReality

In September 2002, we acquired the assets of NetReality, from a receiver pursuant to a court ruling. In consideration for the assets acquired, we granted to NetReality's receiver a fully-vested warrant to purchase 48,267 Series B preferred shares (with an exercise price of NIS 0.10 per share) and undertook to pay the receiver a minimum of $1 million and maximum of $2.5 million in royalties over a period of five years from the date of the acquisition at the rate of the higher of (1) 7% of sales of the NetReality products and (2) 1% of our total sales. The purchase price was valued at approximately $1.3 million, based on the fair value of the warrant granted, and the minimum commitment of such royalties. We also assumed the commitment to pay royalties to the Office of the Chief Scientist as discussed under the subheading "Government Grants" below. The acquisition increased our customer base and resulted in an enhancement of our engineering capabilities. In the fourth quarter of 2004, we decided to cease sales of the NetReality product line, although we continue selling maintenance and support programs relating to the NetReality products. Consequently, an impairment of intangible assets relating to the NetReality acquisition of $0.4 million was recorded to operating expenses at the end of 2004. We do not expect our ongoing sales of maintenance and support programs relating to the NetReality products to be a significant source of revenue in the future.

Government Grants

Our research and development efforts have been financed, in part, through grants from the Office of the Chief Scientist under our approved plans in accordance with the Israeli Law for Encouragement of Research and Development in the Industry, 1984, or the R&D Law. Through September 30, 2006, we had applied and received approval for grants totaling $9.4 million from the Office of the Chief Scientist. Under Israeli law and the approved plans, royalties on the revenues derived from sales of all of our products are payable to the Israeli government, generally at the rate of 3.0% during the first three years and 3.5% beginning with the fourth year, up to the amount of the received grants as adjusted for fluctuation in the U.S. dollar/shekel exchange rate. The amounts received after January 1, 1999 bear interest equal to the 12-month London Interbank Offered Rate applicable to dollar deposits that is published on the first business day of each calendar year. Royalties are paid on our consolidated revenues.

The government of Israel does not own proprietary rights in knowledge developed using its funding and there is no restriction related to such funding on the export of products manufactured using the know-how. The know-how is, however, subject to other legal restrictions, including the obligation to manufacture the product based on the know-how in Israel and to obtain the Office of the Chief Scientist's consent to transfer the know-how to a third party, whether in or outside Israel. These restrictions may impair our ability to outsource manufacturing or enter into similar arrangements for those products or technologies and they continue to apply even after we have paid the full amount of royalties payable for the grants.

If the Office of the Chief Scientist consents to the manufacture of the products outside Israel, the regulations allow the Office of the Chief Scientist to require the payment of increased royalties, ranging from

120% to 300% of the amount of the grant plus interest, depending on the percentage of foreign manufacture. If the manufacturing is performed outside of Israel by us, the rate of royalties payable by us on revenues from the sale of products manufactured outside of Israel will increase by 1% over the regular rates. If the manufacturing is performed outside of Israel by a third party, the rate of royalties payable by us on those revenues will be a percentage equal to the percentage of our total investment in our products that was funded by grants. The R&D Law further permits the Office of the Chief Scientist, among other things, to approve the transfer of manufacturing or manufacturing rights outside Israel in exchange for an import of certain manufacturing or manufacturing rights into Israel as a substitute, in lieu of the increased royalties.

The R&D Law provides that the consent of the Office of the Chief Scientist for the transfer outside of Israel of know-how derived out of an approved plan may only be granted under special circumstances and subject to fulfillment of certain conditions specified in the R&D Law as follows: (a) the grant recipient pays to the Office of the Chief Scientist a portion of the sale price paid in consideration for such Office of the Chief Scientist-funded know-how (according to certain formulas), except if the grantee receives from the transferee of the know-how an exclusive, irrevocable, perpetual unlimited license to fully utilize the know-how and all related rights; (b) the grant recipient receives know-how from a third party in exchange for its Office of the Chief Scientist funded know-how; or (c) such transfer of Office of the Chief Scientist funded know-how arises in connection with certain types of cooperation in research and development activities.

In connection with the NetReality acquisition, we assumed a commitment to pay royalties to the Office of the Chief Scientist up to the amount of the contingent liabilities derived from the grants that had been received by NetReality prior to the acquisition.

As of September 30, 2006, we had an outstanding contingent obligation to pay royalties in the amount of approximately $11.7 million, including obligations assumed in connection with the purchase of the operations of NetReality.

Factors Affecting Our Performance

Our business, financial position and results of operations, as well as the period-to-period comparability of our financial results, are significantly affected by a number of factors, some of which are beyond our control, including:

- mix between product and service revenues;
- size of end-customers and sales cycles;
- declines in average selling prices; and
- cost of revenues and cost reductions.

Mix between product and service revenues. The following table sets forth information for the periods presented regarding the percentage of our revenues derived from product and service:

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
Product revenues	88.8%	80.9%	80.5%	79.1%	84.3%
Service revenues	11.2	19.1	19.5	20.9	15.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%

During the period from 2003 to 2005, we increased the percentage of our service revenues compared to product revenues both as a result of the increase in the installed base of our NetEnforcer and NetReality systems and also as a result of increased efforts to drive service contract renewals among end-customers. However, for the nine months ended September 30, 2006, the percentage of our service revenues was lower than in the nine months ended September 30, 2005, primarily as a result of product sales to a system integrator in the United Kingdom, as part of the deployment of our systems by NTL. In addition, such decrease in the

percentage of our service revenues was also due in part to the decrease in sales of maintenance and support services relating to the NetReality products. We are targeting our service revenues to remain at approximately the percentage levels of 2004 and 2005. Our service gross margins have historically been slightly higher than our product gross margins and we believe that our service activities can be scaled to address a larger installed basis without a proportionate increase in cost of services.

Size of end-customers and sales cycles. We believe that our growth can be accelerated by increasing sales to large service providers and have hired additional sales and marketing personnel in recent years in order to achieve this goal. The deployment of our products by small and midsize enterprises and service providers can be completed relatively quickly with a limited number of NetEnforcer systems compared to the number required by large service providers. Design wins with large service providers, including carriers, are more likely to result in sustained demand for additional NetEnforcer systems as they deploy our products throughout their networks and as their networks grow. The increased deployment of our products in carriers' networks also enhances our reputation and name recognition in the market. We, therefore, expect that significant customer wins in the carrier market will positively impact future performance. However, our performance is also influenced by sales cycles for our products, which typically fluctuate based upon the size and needs of end-customers that purchase our products. Generally, large service providers take longer to plan the integration of DPI solutions into their existing networks and to set goals for the implementation of the technology. The varying length of our sales cycles creates unpredictability regarding the timing of our sales and may cause our quarterly operating results to fluctuate if a significant customer defers an order from one quarter to another. Furthermore, longer sales cycles may result in delays from the time we increase our operating expenses and make investments in inventory, until the time that we generate revenue from related product sales.

Average selling prices. Our performance is affected by the selling price of our products. We price our products based on several factors, including manufacturing costs, the stage of the product's life cycle, competition, technical complexity of the product, discounts given to channel partners in certain territories, customization and other special considerations in connection with larger projects. We typically are able to charge the highest price for a product when it is first introduced to the market. We expect that the average selling prices for our products will decrease over the product's life cycle as our competitors introduce new products and DPI technology becomes more standardized. In order to maintain or increase our current price, we expect that we will need to enhance the functionality of our products by offering higher system speeds, and additional features, such as additional security functions, supporting additional applications and enhanced reporting tools. For example, we sell additional software packages as part of the NetXplorer management application suite, and optional upgrade application suites to the NetEnforcer network traffic management system. We also from time to time introduce higher end models that typically increase our average selling price. To further offset such declines, we sell maintenance and support programs on our products, and as our customer base and number of field installations grows our related service revenues are expected to increase.

Cost of revenues and cost reductions. We strive to control our cost of revenues in order to maintain and increase our gross margins. Our cost of revenues as a percentage of total revenues was 24.3% for 2003, 25.6% for 2004, 23.6% for 2005 and 22.0% for the nine months ended September 30, 2006. Our products use off-the-shelf components and typically the prices of such components decline over time. In addition, we make an effort to identify cheaper components of comparable performance and quality, as well as making engineering improvements in our products that will reduce costs. Since our cost of revenues also include royalties paid to the Office of the Chief Scientist, our cost of sales may be impacted positively or negatively by actions of the Israeli government changing the royalty rate. In addition, we may in the future incorporate features into our products that require payment of royalties to third parties.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and

judgments are subject to an inherent degree of uncertainty and actual results may differ. Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements included elsewhere in this prospectus. Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. Those estimates are based on our historical experience, the terms of existing contracts, our observance of trends in our industry, information provided by our customers and information available from other outside sources, as appropriate. With respect to our policies on revenue recognition and warranty costs, our historical experience is based principally on our operations since we commenced selling our products in 1998. Our estimates are guided by observing the following critical accounting policies:

Revenue recognition. We recognize revenues from sales of our products in accordance with the American Institute of Certified Public Accountants' Statement of Position, or SOP, 97-2, "*Software Revenue Recognition*", as modified by SOP 98-9, "*Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions*". When an arrangement does not require significant production, modification or customization of software or does not contain services considered to be essential to the functionality of the software, revenue is recognized when the following four criteria are met:

- *Persuasive evidence of an arrangement exists.* We require evidence of a purchase order with a customer specifying the terms and conditions of the products or services to be delivered typically in the form of a signed contract or statement of work accompanied by a purchase order.
- *Delivery has occurred.* For products that include a software license delivered with a hardware appliance, delivery takes place when shipment occurs. For software licenses that are not bundled with a hardware appliance, delivery takes place when the software programs and applicable activation key are sent or released via the internet. For services, delivery takes place as the services are provided.
- *The fee is fixed and determinable.* Fees are fixed and determinable if they are not subject to a refund or cancellation and do not have payment terms that exceed our standard payment terms. Typical payment terms are between net 30 days to net 90 days.
- *Collection is probable.* We generally perform a credit review of customers with significant transactions to determine whether collection is probable.

We exercise judgment and use estimates in connection with the determination of the amount of product software license and services revenues to be recognized in each accounting period. If collection is not considered probable, revenue is recognized when the fee is collected. We record provisions against revenue for estimated sales returns, sales incentives and warranty allowances on product and service-related sales in the same period as the related revenue is recorded. We also record a provision to operating expenses for bad debts resulting from customers' inability to pay for the products or services they have received. These estimates are based on historical sales returns, sale incentives, warranty related expenses, and bad debt expense, analyses of credit memo data, and other known factors, such as bankruptcy. If the historical data we use to calculate these estimates do not accurately reflect actual or future returns, sales incentives, warranty related expenses or bad debts, adjustments to these reserves may be required that would increase or decrease revenue or net income.

Many of our product sales include multiple elements. Such elements typically include several or all of the following: hardware appliance, software licenses, hardware and software maintenance, technical support and training services. For multiple-element arrangements that do not involve significant modification or customization of the software and do not involve services that are considered essential to the functionality of the software, we allocate value to each element based on its relative fair value, if sufficient specific objective evidence of fair value exists for each element of the arrangement. Specific objective evidence of fair value is determined based on the price charged when each element is sold separately. If sufficient specific objective evidence exists for all undelivered elements, but does not exist for the delivered element, typically the hardware appliance and software license, then the residual method is used to allocate value to each element. Under the residual method, each undelivered element is allocated value based on customer specific objective evidence of fair value for that element, as described above, and the remainder of the total arrangement fee is

allocated to the delivered element(s). If sufficient customer specific objective evidence does not exist for all undelivered elements and the arrangement involves rights to unspecified additional software products, all revenue is recognized ratably over the term of the arrangement. If the arrangement does not involve rights to unspecified additional software products, all revenue is initially deferred until typically the only remaining undelivered element is software maintenance or technical support, at which time the entire fee is recognized ratably over the remaining maintenance or support term.

Accounting for Stock-Based Compensation. Through December 31, 2005, we elected to follow the intrinsic value-based method prescribed by APB 25 and related interpretations in accounting for employee stock options rather than adopting the alternative fair value accounting provided under Statement of Financial Accounting Standards No. 123, or SFAS No. 123, "Accounting for Stock Based Compensation." Therefore, we have not recorded any compensation expense for stock options we granted to our employees where the exercise price equals the fair market value of the stock on the date of grant and the exercise price, number of shares eligible for issuance under the options and vesting period are fixed. However, where the exercise price is less than the fair market value of the stock on the date of grant, compensation expense was recognized. Deferred compensation is amortized to compensation expense over the vesting period of the options, which is generally four years, on a straight-line method.

We comply with the disclosure requirements of SFAS No. 123 and Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation — Transition and Disclosure", or SFAS No. 148, which require that we disclose our pro forma net income or loss and net income or loss per ordinary share as if we had expensed the fair value of the options. In calculating such fair value, there are certain assumptions that we use, as disclosed in Note 2 of our consolidated financial statements included elsewhere in this prospectus. For purposes of this pro forma disclosure, we estimate the fair value of stock options issued to employees using the minimum value valuation model through December 31, 2005. Option valuation models require the input of highly subjective assumptions, including the expected life of options and our expected stock price volatility. Therefore, the estimated fair value of our employee stock options may vary significantly as a result of changes in the assumptions used.

In December 2004, the Financial Accounting Standards Board, or FASB, issued SFAS 123(R), which requires companies to expense the fair value of employee stock options and other forms of share-based compensation. SFAS 123(R) requires nonpublic companies that used the Minimum Value method in SFAS 123 for either recognition or pro forma disclosures to apply SFAS 123(R) using the prospective-transition method. As such, we will continue to apply APB 25 in future periods to equity awards outstanding at the date of SFAS 123(R)adoption that were measured using the Minimum Value method.

We adopted SFAS 123(R) using the prospective transition method for grants that were measured for pro forma purposes using the Minimum Value Method. Under SFAS 123(R), we are required to determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. We use the Minimum Value valuation model to value options for pro forma financial statement disclosure purposes. The use of a different model to value options may have resulted in a different fair value. We adopted SFAS 123(R) commencing January 1, 2006 and recognized a compensation expense of $682,000 in the nine months ended September 30, 2006. The fair value of stock-based awards, granted after January 1, 2006, was estimated using the Binominal model.

With respect to each option grant date, we determine the deemed fair value of our ordinary shares. As there is no public market for our ordinary shares, this determination was necessarily subjective. In making this determination, we considered a number of factors, including:

- the issuance price of our series of preferred shares to third parties;
- the liquidation preference and other rights of the preferred shares;

• significant events in our history including the securing of design wins as well as our overall financial performance; and

• trends in the market for public companies involved in similar lines of business.

We have reviewed the methodologies used in making these determinations in light of the AICPA's Practice Aid *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, which we refer to as the practice aid. We took into consideration the market and income approaches to valuation as set forth in the practice aid. We believe that the valuation methodologies that we have used are consistent with the practice aid.

In connection with the preparation of our financial statements for the years ended December 31, 2004 and 2005, and the nine months ended September 30, 2006, we assessed the valuations of our ordinary shares as of the applicable grant dates and engaged an independent valuation firm, BDO Ziv Haft Consulting & Management Ltd.

We also assessed our estimate of the fair value for financial reporting purposes of our ordinary shares based on the subjective factors mentioned above, the various approaches to valuation set forth in the practice aid, the independent valuation studies and an assessment of market considerations, including the overall economic marketplace, factors affecting our industry as well as the likelihood of an initial public offering, the uncertainties inherent in an initial public offering and the enterprise value of our company.

The valuation methodologies employed in connection with our 2004, 2005 and 2006 independent valuation studies were based upon various generally accepted valuation methods but relied primarily on the discounted cash flow and market approach models. Determining the fair value of our ordinary shares involves complex and subjective judgments involving estimates of revenues, earnings, assumed market growth rates and estimated costs, as well as appropriate discount rates. At the time of each valuation, the significant estimates used in the income approach included estimates of revenues for 2006 and revenues growth rates for the following years.

Inventories. We value our inventories at the lower of cost or estimated market value, cost being determined on the basis of the average cost method for raw materials, manufacturing costs and indirect allocable costs. We estimate market value based on our current pricing, market conditions and specific customer information. We write off inventory for slow-moving items or technological obsolescence. We also assess our inventories for obsolescence based upon assumptions about future demand and market conditions. Once inventory is written off, a new cost basis for these assets is established for future periods. Inventory write offs totaled $0.2 million in 2003, $0.4 million in 2004 and $0.2 million in 2005.

Results of Operations

The following table sets forth our statements of operations as a percentage of revenues for the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
Revenues					
Products	88.8%	80.9%	80.5%	79.1%	84.3%
Services	11.2	19.1	19.5	20.9	15.7
Total revenues	100.0	100.0	100.0	100.0	100.0
Cost of revenues:					
Products	21.8	21.8	19.5	20.4	18.6
Services	2.5	3.8	4.1	4.4	3.4
Total cost of revenues	24.3	25.6	23.6	24.8	22.0
Gross profit	75.7	74.4	76.4	75.2	78.0
Operating expenses:					
Research and development, net	20.0	21.9	25.8	27.6	23.0
Sales and marketing	55.3	55.9	51.7	55.4	44.1
General and administrative	12.4	11.5	10.4	10.8	9.2
Impairment of intangible assets	—	2.0	—	—	—
Total operating expenses	87.7	91.3	87.9	93.7	76.3
Operating income (loss)	(12.0)	(16.9)	(11.5)	(18.4)	1.7
Financing and other income (expenses), net	(3.4)	(1.3)	0.2	0.2	0.9
Income (loss) before income tax benefit (expense)	(15.4)	(18.2)	(11.3)	(18.2)	2.6
Income tax benefit (expense)	—	—	1.0	1.1	(0.3)
Net income (loss)	(15.4)	(18.2)	(10.3)	(17.1)	2.3

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Revenues

Products. Product revenues increased by $8.1 million, or 65%, to $20.7 million in the nine months ended September 30, 2006 from $12.6 million in the nine months ended September 30, 2005. The majority of our product revenues in the nine months ended September 30, 2006 were derived from sales of the NetEnforcer AC-1000. We continued to increase our concentration in the service provider market during this period. Product revenues for the nine months ended September 30, 2006 also include $6.8 million of sales of our products to a single system integrator for our products in the United Kingdom relating primarily to deployment of our systems by NTL compared to $2.5 million of sales to the same system integrator in relation to the same project for in the nine months ended September 30, 2005.

Services. Service revenues increased by $0.6 million, or 16%, to $3.9 million in the nine months ended September 30, 2006 from $3.3 million in the nine months ended September 30, 2005. The increase in service revenues resulted primarily from a larger product base covered by maintenance and support contracts. The increase in service revenues was partially offset by a decrease of sales of maintenance and support programs related to NetReality's legacy products in the nine months ended September 30, 2006 compared to the nine months ended September 30, 2005. Service revenues as a percentage of sales decreased in part due to sales to NTL, which, as of September 30, 2006, had not included maintenance and support contracts typically associated with our product sales.

Cost of revenues and gross margin

Products. Cost of product revenues increased by $1.4 million, or 41%, to $4.6 million in the nine months ended September 30, 2006, from $3.2 million in the nine months ended September 30, 2005. This

increase resulted primarily from increased expenditure of $0.6 million on materials due to an increased number of units sold, and an increase of $0.3 million in royalty expense accrued or paid to the Office of the Chief Scientist. Product gross margin was 78.0% in the nine months ended September 30, 2006 compared to 74.3% in the nine months ended September 30, 2005. This increase resulted from higher priced modules accounting for a greater proportion of total sales and, to a lesser degree, cost reduction efforts.

Services. Service cost of revenues increased by $0.1 million, or 21%, to $0.8 million in the nine months ended September 30, 2006 from $0.7 million in the nine months ended September 30, 2005. This increase resulted primarily from post-sales support expenses as a result of salary increases. Services gross margin was 78.1% in the nine months ended September 2006 compared to 78.9% in the nine months ended September 30, 2005.

Total gross margin was 78.0% in the nine months ended September 30, 2006 compared to 75.2% in the nine months ended September 30, 2005.

Operating expenses

Research and development. Gross research and development expenses increased by $1.7 million, or 36%, to $6.7 million in the nine months ended September 30, 2006 from $5.0 million in the nine months ended September 30, 2005. This increase resulted from an increase of $1.5 million due primarily to the hiring of additional research and development staff in connection with development of our ATCA-based 10G platform, as well as salary increases.

Research and development expenses as a percentage of revenues decreased to 27% in the nine months ended September 30, 2006 from 31% in the nine months ended September 30, 2005.

Research and development expenses, net of received and accrued royalty-bearing grants from the Office of the Chief Scientist increased by $1.2 million, or 29%, to $5.6 million in the nine months ended September 30, 2006 from $4.4 million in the nine months ended September 30, 2005. Grants received and accrued increased by $0.5 million, or 88%, to $1.1 million in the nine months ended September 30, 2006 from $0.6 million in the nine months ended September 30, 2005, due to a larger grant approved by the Office of the Chief Scientist.

Sales and marketing. Sales and marketing expenses increased by $2.1 million, or 23%, to $10.9 million in the nine months ended September 30, 2006 from $8.8 million in the nine months ended September 30, 2005. This increase resulted from an increase of $1.3 million due primarily to the hiring of additional sales, marketing and engineering personnel to provide broader geographical coverage and increased focus on the service provider and carrier markets, an increase of $0.3 million in expenses relating to resellers and end-customers events and an increase of $0.2 million in rental costs related to our offices. Sales and marketing expenses as a percentage of revenues decreased to 44% in the nine months ended September 30, 2006 from 55% in the nine months ended September 30, 2005.

General and administrative. General and administrative expenses increased by $0.6 million, or 32%, to $2.3 million in the nine months ended September 30, 2006 from $1.7 million in the nine months ended September 30, 2005. This increase resulted from an increase of $0.3 million due primarily to the hiring of additional personnel, as well as salary increases and increased stock-based-compensation costs, and an increase of $0.1 million in professional services rendered. General and administrative expenses as a percentage of revenues decreased to 9% in the nine months ended September 30, 2006 from 11% in the nine months ended September 30, 2005.

Financial and other income (expenses), net

Financial and other income was $229,000 in the nine months ended September 30, 2006 compared to financial and other income of $36,000 in the nine months ended September 30, 2005. The increase in financial income resulted from interest received on cash balances and decrease of amortization of discount on bank credit line.

Income tax benefit (expense)

Income tax expense was $75,000 in the nine months ended September 30, 2006 compared to income tax benefit of $178,000 in the nine months ended September 30, 2005. The income tax benefit in the nine months ended September 30, 2005 was attributable to deferred income tax asset recorded by our U.S. subsidiary.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenues

Products. Product revenues increased by $3.9 million, or 26%, to $18.5 million in 2005 from $14.6 million in 2004. The majority of our product revenues in 2005 was derived from sales of the NetEnforcer AC-1000, which is targeted primarily at service providers, and the balance from sales of the NetEnforcer AC-400 and AC-800. While we experienced growth in sales from all NetEnforcer models, the rate of growth of the NetEnforcer AC-400 and AC-800 was slower than in previous years as we shifted our focus to the service provider market. Products revenues for 2005 also include $3.7 million of sales to a single system integrator compared to $0.6 million of sales to the same system integrator in 2004.

The increase in NetEnforcer sales was partially offset by a decrease of sales of NetReality's legacy products which accounted for sales of $1.0 million in 2004 compared to $0.1 million of sales in 2005. At the end of 2004, we decided to cease selling NetReality's product line, although we continue selling maintenance and support programs relating to the NetReality products.

Services. Service revenues increased by $1.1 million, or 30%, to $4.5 million in 2005 from $3.4 million in 2004. The increase in service revenues resulted primarily from a larger product base covered by maintenance and support contracts. The increase in service revenues was partially offset by a decrease of sales of maintenance and support programs related to NetReality's legacy products in 2004 compared to 2005.

Cost of revenues and gross margin

Products. Cost of product revenues increased by $0.5 million, or 14%, to $4.5 million in 2005 from $4.0 million in 2004. This increase resulted primarily from increased expenditure of $0.5 million on materials which was partially offset by a write off of $0.2 million primarily related to NetReality inventories, and an increase of $0.2 million in royalties paid to the Office of the Chief Scientist. Product gross margin was 75.8% in 2005 compared to 73.1% in 2004. This increase resulted from higher priced modules accounting for a greater proportion of total sales, as well as lower relative fixed costs and decreased inventory write-offs compared to 2004.

Services. Service cost of revenues increased by $0.2 million, or 38%, to $0.9 million in 2005 from $0.7 million in 2004. This increase resulted from an increase of $0.2 million in post-sales support expenses as a result of employing additional post-sale support engineers and salary increases. Services gross margin was 79.0% in 2005 compared to 80.3% in 2004.

Total gross margin was 76.4% in 2005 compared to 74.4% in 2004.

Operating expenses

Research and development. Gross research and development expenses increased by $1.8 million, or 37%, to $6.7 million in 2005 from $4.9 million in 2004. This increase resulted from an increase of $1.4 million due primarily to the hiring of additional research and development staff as well as increased salaries, an increase of $0.2 million due to additional materials consumed and an increase of $0.1 million due to additional subcontractor work. These increases were driven by the development of new products, such as our NetXplorer management application suite and the initial development of our new ATCA-based 10G platform.

Research and development expenses, net of received and accrued grants from the Office of the Chief Scientist, increased by $1.9 million, or 50%, to $5.9 million in 2005 from $4.0 million in 2004. Grants totaled $0.7 million in 2005 compared to $0.9 million in 2004. The decrease in the size of grants received and accrued in 2005 compared to 2004 was primarily due to unfavorable changes in the currency exchange rates

between the shekel and the U.S. dollar as well as an adjustment in 2005 of the grant allowance for 2004. Research and development expenses as a percentage of revenues increased to 26% in 2005 from 22% in 2004.

Sales and marketing. Sales and marketing expenses increased by $1.8 million in 2005, or 18%, to $11.9 million in 2005 from $10.1 million in 2004. This increase resulted from an increase of $1.1 million due primarily to the hiring of additional sales, marketing and engineering personnel to provide broader geographical coverage and increased focus on the service provider market, an increase of $0.2 million in commissions paid to third parties, an increase of $0.2 million in amortization of stock-based compensation and an increase of $0.1 million in expenses relating to cooperative advertising expenses, public relations and advertising. Sales and marketing expenses as a percentage of revenues decreased to 52% in 2005 from 56% in 2004.

General and administrative. General and administrative expenses increased by $0.3 million, or 14%, to $2.4 million in 2005 from $2.1 million in 2004. This increase resulted from an increase of $0.1 million due primarily to the hiring of additional personnel as well as salary increases and an increase of $0.1 million in expenses related to professional services. General and administrative expenses as a percentage of revenues decreased to 10% in 2005 from 12% in 2004.

Impairment of intangible assets

Impairment of intangible assets was $0.4 million in 2004 and zero in 2005. This decrease resulted from the impairment at the end 2004 of most of the intangible assets acquired in connection with our acquisition of the assets of NetReality in 2002.

Financial and other income (expenses), net

Financial and other income, net was $45,000 in 2005 compared to financial and other expenses, net of $241,000 in 2004. The increase in financial and other income resulted from an increase of $0.1 million related to interest received on cash balances and decrease of $0.3 million related to amortization of discount on bank credit-lines.

Income tax benefit (expense)

Income tax benefit was $218,000 in 2005 compared to income tax expense of $3,000 in 2004. The income tax benefit in 2005 was attributable to deferred income tax asset recognized by our U.S. subsidiary.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Revenues

Products. Product revenues increased by $1.5 million, or 12%, to $14.6 million in 2004 from $13.1 million in 2003. The increase in product revenues resulted primarily from an increase in sales of our NetEnforcer product, partially offset by a decrease of $1.8 million in sales of our NetReality legacy products. At the end of 2004, we decided to cease selling NetReality's product line, although we continue selling maintenance and support programs relating to the NetReality products.

Services. Revenues increased by $1.7 million, or 109%, to $3.4 million in 2004 from $1.7 million in 2003. The increase in service revenues resulted from an increased emphasis on selling maintenance and support programs.

Cost of revenues and gross margin

Products. Cost of product revenues increased by $0.7 million, or 22%, to $3.9 million in 2004 from $3.2 million in 2003. This increase resulted from a write off of $0.4 million primarily related to NetReality inventories and from increased product sales. Products gross margin was 73.1% in 2004 compared to 75.4% in 2003.

Services. Cost of service revenues increase by $317,000, or 88%, to $679,000 in 2004 from $362,000 in 2003. Services gross margin was 80.3% in 2004 compared to 78.1% in 2003. This increase resulted from employing additional post-sales support engineers.

Total gross margin was 74.4% in 2004 compared to 75.7% in 2003.

Operating expenses

Research and development. Gross research and development expenses increased by $0.8 million, or 20%, to $4.9 million in 2004 from $4.1 million in 2003. This increase resulted from an increase of $0.7 million due primarily to the hiring of additional research and development staff for the development of new products. Research and development expenses as a percentage of revenues were 27% in both 2004 and 2003.

Research and development expenses, net of received and accrued grants from the Office of the Chief Scientist, increased by $1.0 million, or 34%, to $4.0 million in 2004 from $3.0 million in 2003. Grants totaled $0.9 million in 2004 compared to $1.1 million in 2003. The decrease in the size of grants received and accrued in 2004 compared to 2003 was primarily due to budget constraints imposed by the Israeli government that led to a reduction in participation rates from 50% to 40%, as well as unfavorable changes in the currency exchange rates between the shekel and the U.S. dollar.

Sales and marketing. Sales and marketing expenses increased by $1.9 million in 2004, or 24%, to $10.1 million in 2004 from $8.2 million in 2003. This increase resulted from an increase of $1.3 million due primarily to the hiring of additional sales and marketing personnel in our sales, support and marketing departments and expansion to new territories, an increase of $0.4 million in travel expenses and an increase of $0.2 million related to conventions and exhibitions. Sales and marketing expenses as a percentage of revenues increased to 56% in 2004 from 55% in 2003.

General and administrative. General and administrative expenses increased by $0.3 million, or 11%, to $2.1 million in 2004 from $1.8 million in 2003. This increase resulted primarily from an increase of $0.2 million in expenses related to professional services and $0.1 million due primarily to the hiring of additional personnel as well as salary increases. General and administrative expenses as a percentage of revenues decreased to 11.5% in 2004 from 12.4% in 2003.

Impairment of intangible assets

Impairment of intangible assets was $0.4 million in 2004 and zero in 2003. This increase resulted from the impairment at the end 2004 of most of the intangible assets acquired in connection with our acquisition of the assets of NetReality in 2002.

Financial and other income (expenses), net

Financial and other income (expenses), net decreased to $0.2 million in 2004 from $0.5 million in 2003. This decrease was primarily a result of higher interest expenses in 2003 relating to bank loans and foreign exchange gains from and increased interest income on cash balances in 2004.

Income tax benefit (expense)

Income tax expense was $3,000 in 2004 compared to $2,000 in 2003.

Quarterly Results of Operations

The table below sets forth unaudited consolidated statements of operations data in dollars for each of the seven consecutive quarters ended September 30, 2006. In management's opinion, the unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements contained elsewhere in this prospectus and include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of such financial information. This information should be read in conjunction with the audited consolidated financial statements and notes thereto appearing elsewhere in this prospectus.

	Three Months Ended						
	March 31, 2005	June 30, 2005	Sept. 30, 2005	Dec. 31, 2005	March 31, 2006	June 30, 2006	Sept. 30, 2006
				(unaudited) (in thousands)			
Statements of operations data:							
Total revenues	$ 4,437	$ 5,428	$6,028	$7,079	$ 7,571	$8,152	$8,854
Total cost of revenues	1,108	1,308	1,520	1,483	1,700	1,746	1,961
Gross profit	3,329	4,120	4,508	5,596	5,871	6,406	6,893
Operating expenses:							
Research and development, net	1,436	1,441	1,505	1,543	1,882	1,953	1,807
Sales and marketing	2,811	3,176	2,810	3,090	3,493	3,749	3,617
General and administrative	578	586	545	671	609	710	941
Total operating expenses	4,825	5,203	4,860	5,304	5,984	6,412	6,365
Operating income (loss)	(1,496)	(1,083)	(352)	292	(113)	(6)	528
Financial and other income (expenses), net	(32)	39	29	9	121	62	46
Income (loss) before tax	(1,528)	(1,044)	(323)	301	8	56	574
Tax income (expense)	101	42	35	40	(3)	(3)	(69)
Net income (loss)	$ (1,427)	$(1,002)	$ (288)	$ 341	$ 5	$ 53	$ 505

Our quarterly revenues and results of operations have varied in the past and can be expected to vary in the future due to numerous factors. We believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Generally, our revenues are lowest in the first quarter and our fourth quarter has tended to exhibit stronger results than other quarters, which we believe may result from the budgeting processes of many of our customers which are based on a calendar fiscal year.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to changes in market prices, including interest rates and foreign exchange rates, of financial instruments that may adversely impact our consolidated financial position, results of operations or cash flows.

Risk of Interest Rate Fluctuation

We do not have any long-term borrowings. Our investments consist primarily of cash and cash equivalents and interest bearing, investment-grade investments in marketable securities with maturities of up to three years. These marketable securities currently consist of corporate debt securities, governmental debt securities and money market funds, and may in the future include commercial paper and non-governmental debt securities. The primary objective of our investment activities is to preserve principal while maximizing the income that we receive from our investments without significantly increasing risk and loss. Our investments are exposed to market risk due to fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. We manage this exposure by performing ongoing evaluations of our investments. Due to the short and medium-term maturities of our investments to date, their carrying value approximates the fair value. We generally hold investments to maturity in order to limit our exposure to interest rate fluctuations.

Foreign Currency Exchange Risk

Our foreign currency exposures give rise to market risk associated with exchange rate movements of the U.S. dollar, our functional and reporting currency, mainly against the shekel and the euro. We are exposed to the risk of fluctuation in the U.S. dollar/shekel exchange rate. In 2005, we derived our revenues principally in U.S. dollars and to a lesser extent in euros and shekels. Although a majority of our expenses were denominated in U.S. dollars, a significant portion of our expenses were denominated in shekels and to a lesser extent in euros and yen. Our shekel-denominated expenses consist principally of salaries and related personnel expenses.

We anticipate that a material portion of our expenses will continue to be denominated in shekels. If the U.S. dollar weakens against the shekel, there will be a negative impact on our profit margins. We currently do not hedge our currency exposure through financial instruments. In the future, we may undertake hedging or other similar transactions or invest in market risk sensitive instruments if we determine that it is advisable to offset these risks.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily through private placements of our equity securities and, to a lesser extent, through borrowings from financial institutions. Through September 30, 2006, sales of our equity securities resulted in net proceeds to us of approximately $42.2 million, net of issuance expenses. As of September 30, 2006, we had $4.5 million in cash and cash equivalents and $8.9 million in marketable securities. As of September 30, 2006, our working capital, which we calculate by subtracting our current liabilities from our current assets, was $5.0 million.

By subcontracting our manufacturing and component supply chain activities to a third party subcontractor, we minimize our working capital requirements. Based on our current business plan, we believe that the net proceeds from this offering, together with our existing cash balances and cash generated from operations, will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. If our estimates of revenues, expenses or capital or liquidity requirements change or are inaccurate or if cash generated from operations is insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or arrange additional debt financing. In addition, we may seek to sell additional equity or arrange debt financing to give us financial flexibility to pursue attractive acquisition or investment opportunities that may arise in the future, although we currently do not have any acquisitions or investments planned.

Operating activities. Net cash provided by operating activities in the nine months ended September 30, 2006 was $1.2 million and was generated primarily from our net income of $0.6 million adjusted for non-cash expenses of $1.3 million and by an increase in trade and other accounts payable of $0.8 million and an increase of $0.9 million in deferred revenues, partially offset by an increase of $0.6 million in trade receivables, an increase of $1.0 million in inventories, and by an increase of $1.6 million in other receivables and prepaid expenses and other assets, primarily due to prepaid payments for lease of our new leased offices in Hod-Hasharon, Israel, and prepaid expenses of $0.5 million for our offering costs. Net cash used in operating activities in the nine months ended September 30, 2005 was $1.2 million and resulted primarily from our net loss of $2.7 million adjusted for non-cash expenses of $0.7 million, partially offset by an increase of $0.9 million in deferred income.

Net cash provided by operating activities in 2005 was $0.2 million and was generated primarily by an increase of $1.3 million in deferred revenues and an increase in trade and other accounts payable of $1.1 million, partially offset by our net loss of $2.4 million adjusted for non-cash expenses of $0.9 million. Net cash used in operating activities in 2004 was $1.7 million and resulted primarily from our net loss of $3.3 million adjusted for non-cash expenses of $1.1 million and an increase of $0.6 million in trade receivables, partially offset by an increase of $0.8 million in deferred revenues. Net cash provided by operating activities in 2003 was $0.6 million and was generated primarily from $2.1 million in deferred revenues, partially offset by our net loss of $2.3 million adjusted for non-cash expenses of $0.9 million and by an increase of $0.3 million in trade receivables.

Investing activities. Net cash used in investing activities in the nine months ended September 30, 2006 was $5.8 million, primarily due to investments in available-for-sale marketable securities in the amount of $4.3 million and $1.5 million of capital investments primarily in research and development equipment and in leasehold improvement of our new leased offices in Hod-Hasharon, Israel. Net cash used in investing activities in the nine months ended September 30, 2005 was $0.7 million and consisted primarily of $0.5 million of capital investments primarily in research and development equipment.

Net cash used in investing activities in 2005 was $0.4 million and consisted primarily of $0.7 million of capital investments primarily in research and development equipment partially offset by net proceeds from sale

of marketable securities. Net cash used in investing activities in 2004 was $5.5 million and consisted primarily of $4.9 million invested in marketable securities and $0.6 million of capital investments primarily in research and development equipment. Net cash provided by investing activities in 2003 was $1.3 million and consisted primarily of $1.5 million received from receipt of short-term bank deposits partially offset by $0.2 million of capital investments primarily in research and development equipment.

We expect that our capital expenditures will total approximately $2.0 million in 2006 and approximately $1.5 million in 2007. We anticipate that these capital expenditures will be primarily related to further investments in research and development equipment and in leasehold improvements.

Financing activities. Net cash provided by financing activities in the nine months ended September 30, 2006 was $5.5 million and was generated by the issuance of share capital. Net cash used in financing activities in the nine months ended September 30, 2005 was $0.2 million and consisted primarily repayment of bank credit line.

Net cash used in financing activities in 2005 was $0.1 million resulting primarily from the repayment of $0.2 million of indebtedness partially offset by funds received from option exercises. Net cash provided by financing activities in 2004 was $7.7 million generated by the issuance of share capital of $7.9 million partially offset by repayment of $0.2 million of indebtedness. Net cash used in financing activities in 2003 was $1.0 million resulting primarily from the repayment net of $1.0 million of indebtedness.

Off Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements. In addition, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

Contractual and Other Commitments

The following table of our material contractual and other obligations known to us as of September 30, 2006, summarizes the aggregate effect that these obligations are expected to have on our cash flows in the periods indicated:

Contractual and Other Obligations	Total	2006	2007	2008	2009	After 2009
			(in thousands)			
Operating leases — offices(1)	$ 3,303	$ 99	$ 586	$ 527	$ 480	$ 1,611
Operating leases — vehicles	1,505	188	590	474	253	—
Total	$ 4,808	$ 287	$1,176	$1,001	$ 733	$ 1,611

(1) Consists primarily of an operating lease for our facilities in Hod-Hasharon, Israel, as well as operating leases for facilities leased by our subsidiaries.

Recent Accounting Pronouncements

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, or SFAS No. 154, “Accounting Changes and Error Corrections”, a replacement of APB No. 20, “Accounting Changes” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements”. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. APB No. 20 previously required that most voluntary changes in accounting principles be recognized by including in net income for the period of change the cumulative effect of changing to the new accounting principle. SFAS No. 154 requires retroactive application to prior periods’ financial statements of a voluntary change in accounting principles unless it is impracticable. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In November 2005, the FASB issued FASB Staff Position (“FSP”) FAS 115-1. The FSP addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. The FSP also includes accounting considerations

subsequent to the recognition of other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in this FSP amends SFAS No. 115, “Accounting for Certain Investments in Debt and Equity”. The FSP replaces the impairment evaluation guidance of EITF Issue No. 03-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,” with references to the existing other-than-temporary impairment guidance. The FSP clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell an impaired security has not been made. The guidance in this FSP is to be applied to reporting periods beginning after December 15, 2005. We do not expect that the adoption of FSP FAS 115-1 will have a material impact on our financial position or results of operations.

BUSINESS

Overview

We are a leading designer and developer of broadband service optimization solutions using advanced deep packet inspection, or DPI, technology. Our solutions provide broadband service providers and enterprises with real-time, highly granular visibility into network traffic, and enable them to efficiently and effectively manage and optimize their networks. End-customers use our solutions to create sophisticated policies to monitor network applications, enforce quality of service policies that guarantee mission-critical application performance, mitigate security risks and leverage network infrastructure investments. Our carrier-class products are used by service providers to offer subscriber-based and application-based tiered services that enable them to optimize their service offerings, reduce churn rates and increase average revenue per user, or ARPU. Our goal is to be the leading provider of network inspection and management solutions used by service providers and enterprises to transform generic access broadband networks into intelligent broadband networks.

The rapid growth of broadband networks and the proliferation in the number and complexity of broadband applications have led broadband service providers to demand new ways to manage their networks. Broadband applications, such as peer-to-peer, or P2P, VoIP, Internet video and online video gaming increase network congestion and require real time voice, video and data communications. New and innovative applications that pose significant challenges are continuously being introduced. Costly infrastructure upgrades to increase network bandwidth capacity neither address service providers' need for network visibility nor prioritize revenue-generating applications. Furthermore, service providers have generally been unsuccessful in capturing the significant new revenue opportunities available from providing differentiated, premium broadband services that command higher prices. By capitalizing on new revenue opportunities and maximizing the capacity of existing network infrastructure, our DPI technology enables service providers to optimize returns on their investments and enhance the quality of the services they provide.

Our products consist of our NetEnforcer traffic management systems and NetXplorer application management suite. NetEnforcer employs advanced DPI technology, which identifies applications at high speeds by examining data packets and searching for application patterns and behaviors. NetEnforcer is available in several models addressing a wide range of network needs, architectures and cost criteria. NetXplorer enables the implementation of customized and automated traffic management policies, as well as tailored and detailed reports on network usage. This fully integrated network traffic management solution allows service providers and enterprises to gain real time, highly granular visibility into their networks and to enhance network efficiency and security by managing and prioritizing different applications. Our DPI systems are independent of and not embedded in the underlying network infrastructure and are therefore quicker to deploy in any existing network.

We predominantly focus our resources on the development and advancement of our network traffic management products. In order to minimize our costs and leverage our core strengths, we have partnered with a third party to manufacture our NetEnforcer devices. We also leverage our sales and marketing investments by distributing products through an extensive global network of more than 300 distributors, resellers, OEMs and system integrators. End-customers of our products include carriers, cable operators, wireless and wireline Internet service providers, educational institutions, governments and enterprises.

We commenced operations in 1997 and shipped our first product in 1998. We generated revenues of $23.0 million in 2005, representing a 27% increase over the prior year, and generated revenues of $24.6 million for the nine months ended September 30, 2006, representing a 55% increase over the same period in the prior year. We had 232 employees as of September 30, 2006.

Industry Background

The rapid proliferation of broadband networks in recent years has been largely driven by demand from users for faster and more reliable access to the Internet and by the proliferation in the number and complexity of broadband applications. According to a May 2006 report by International Data Corporation, or IDC, a provider of information about the telecommunications market, there were 206 million broadband subscribers

globally in 2005, representing an increase of 35% over 2004 levels. The same report projects that the number of broadband subscribers will reach 396 million by 2010, representing a compound annual growth rate of 14%.

Rising Network Operational Costs Due to the Rapid Adoption of Broadband Applications

The increasing adoption of broadband access has enabled significant advances in the sophistication of applications delivered over broadband networks. In contrast to traditional applications, such as e-mail and web-browsing, many new applications require large amounts of bandwidth and are highly sensitive to network delays. In response to these challenges, service providers have been forced to invest heavily in network infrastructure upgrades and customer support services in order to maintain the quality of experience for subscribers. Examples of network applications that are particularly popular and demanding on network resources include:

- *P2P.* P2P file-sharing applications, such as eDonkey or BitTorrent, enable users to share content directly with each other. Increasingly, subscribers are using P2P applications to distribute multimedia content, such as audio and video files, which are extremely large and require significant network bandwidth. Unlike applications using the traditional client-server model where a well-known source provides content "downstream" to requesting clients, P2P applications create heavy upstream traffic because all users' computers accept data requests. Heavy upstream traffic places a significant burden on asymmetric networks, such as digital subscriber line, or DSL, and cable networks, that were originally designed to handle only heavy downstream traffic. In addition, P2P applications are frequently left unattended for long periods of time while files upload and/or download, resulting in increased congestion during hours of peak network usage. According to an August 2005 article from GigaOM.com, a news and weblog for hi-tech consumers and professionals, on average 80% of upstream broadband capacity is consumed by P2P traffic. As a result, users of P2P applications dilute bandwidth for all users on the network, despite the fact that these users do not pay incremental amounts for increased bandwidth consumption. At the same time, P2P applications, which are not particularly sensitive to network delays, result in a diminished performance for latency-sensitive applications, such as VoIP, Internet video and online video gaming.
- *VoIP.* VoIP enables voice communications to be transmitted over IP networks thereby replacing traditional telephone services. According to Infonetics Research, the number of worldwide VoIP subscribers is expected to almost double from 2005 to 2006, when it is projected to exceed 47 million. IDC also expects revenue from consumer VoIP services in the United States to increase from $2 billion in 2005 to nearly $14 billion in 2010, at a compound annual growth rate of 45.9%. As the quality of voice communications is particularly sensitive to network delays, VoIP traffic is heavily dependent on highly efficient network management to sustain a quality level equivalent to traditional telephone services.
- *Internet video.* Internet video includes the viewing of standard television content and "on-demand" movies and video clips transmitted over broadband networks. Network delays significantly diminish users' quality of experience from video applications and adversely impact their willingness to pay for these applications. Internet video applications consume significant bandwidth which further increases network congestion. A 2005 report by In-Stat, a high-tech market research firm, projects that non-adult video content delivered through subscription or pay-per-download over the Internet will have a worldwide retail value of $2.6 billion by 2009 compared to $745 million in 2005.
- *Online video gaming.* Online video gaming has grown rapidly in recent years. These applications require immediate responses from a gamer's counterparts and therefore the quality of a gamer's online experience is highly sensitive to network delays. According to a March 2006 report from IDC, more than 4 million people paid for online personal computer gaming subscriptions in the United States in 2005, and the number is expected to increase to over 10.7 million by 2010.
- *Online content sites.* Online content sites, such as E-commerce sites, search engines, blogs, and sites that provide public storage for users' files, attract a large number of visitors and traffic to these sites

consumes significant bandwidth and network resources. The operators of these sites generate significant revenues from Internet traffic, however do not own, and make no investment in, network infrastructure. As a result, carriers may seek to generate revenues from such sites by applying network policies that prioritize traffic to content sites, in return for fees paid by the content site's operators or subscribers.

Service Providers Demand for the Ability to Offer Premium and Differentiated Services

Most service providers offer flat-fee broadband access, regardless of the type of applications and data used by subscribers. These operators provide the same level of service to all subscribers and do not guarantee access quality, regardless of a subscriber's willingness to pay for premium services and network performance. In addition, competition among service providers has increased because of multiple broadband delivery options, such as cable, DSL and wireless. As a result of these factors, broadband access has become a commodity, contributing to downward price pressure and high churn rates.

To address these issues and increase ARPU, service providers have begun to offer premium, differentiated applications, such as VoIP, video and new online content services. However, these service providers have as yet been unable to offer guaranteed service levels for these applications on an individual subscriber basis. By offering such tiered services and charging subscribers according to the value of these services, service providers can capitalize on the revenue enhancement opportunities enabled by broadband applications. To offer premium services such as VoIP, video and online content services, and to guarantee service levels for those services, service providers need enhanced visibility into network traffic, including visibility into the type of applications used on the network and levels of traffic generated by different subscribers.

Increasing Enterprise Demand for Visibility and Delivery of Mission-Critical Applications

The proliferation of network applications also presents significant challenges for enterprises operating wide-area networks. Applications such as e-mail, customer relationship management, or CRM, enterprise resource planning, or ERP, and other online transactional and business applications are critical to enterprises' ability to operate efficiently. Enterprises have also become increasingly dependent on broadband Internet and Intranet access, as content distribution between partners and customers, employee remote access, and even VoIP, have become more common. At the same time, the openness of the Internet allows employees to use a wide variety of recreational and non-business applications on enterprise networks, resulting in network congestion and negatively impacting employee productivity. As a result, enterprises have experienced diminished performance of their mission-critical applications.

Network Security Threats and Content Control

As reliance on the Internet has grown, service providers and subscribers have become increasingly vulnerable to a wide range of security threats, including denial of service attacks such as worms, viruses and spam. The attacks hinder the ability of service providers to provide high quality broadband access to subscribers, prevent enterprises from using mission-critical applications and compromise network and data integrity. We believe that users increasingly expect service providers to protect them from these threats. Therefore, it has become imperative for service providers and enterprises to identify and block malicious traffic at very early stages.

The Challenge of Implementing Intelligent Networks

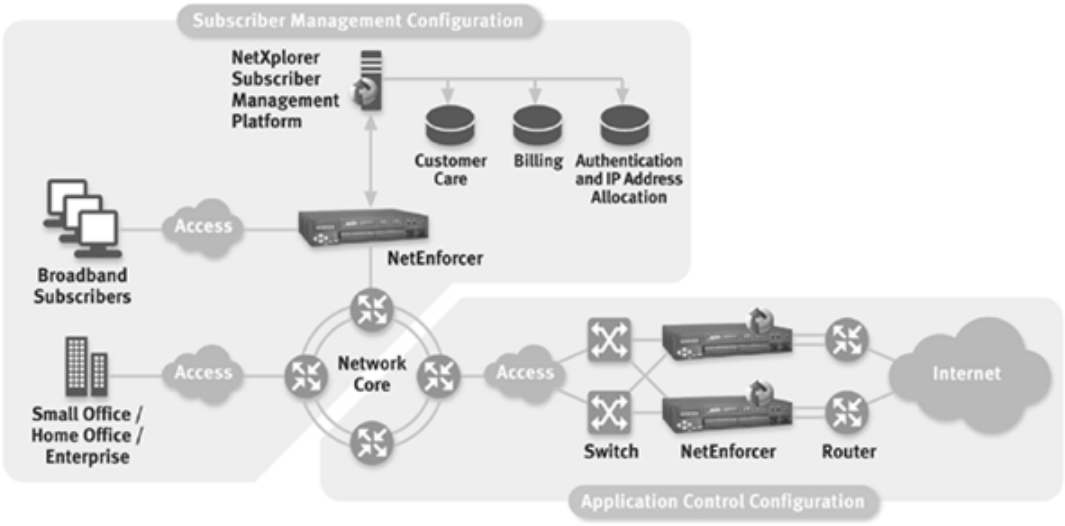
Service providers are seeking to transform generic access broadband networks into intelligent broadband networks. The ability to identify, distinguish and prioritize different network applications plays a major role in intelligent network management, allowing service providers to optimize bandwidth usage and reduce operational costs, while maintaining high quality of service. Application designers are employing increasingly sophisticated methods to avoid detection by network operators who desire to manage network use. For example, applications can disguise themselves as permitted applications and also use sophisticated encryption techniques to avoid detection. Traditional network infrastructure devices, such as routers and switches, do not generally have sufficient computing resources or the required algorithms to distinguish between different and

rapidly evolving applications. The dilemma of implementing intelligent networks is further complicated by today's higher speed broadband networks which carry tremendous amounts of data and serve millions of customers. Unlike traditional network infrastructure devices, such as switches and routers, which can perform only a very limited examination of packets, DPI solutions offer active control over each application and subscriber in the network requiring significant processing power and speed, greater memory and special algorithms.

The Allot Solution

Our solutions employ advanced DPI, which identifies applications by examining the content encapsulated in packets, including header and application information. By correlating data from multiple packets and flows, searching for application signatures and recognizing application behavior, our solutions identify each subscriber and application in the network and provide in-depth, real time information about their behavior. Once an application has been identified, it can be managed using predetermined policies that determine the level of network resources allocated for that application based on the business strategy of the service provider or enterprise. For example, an application can be granted a guaranteed bandwidth allocation, or can be rate limited, redirected, marked/tagged, blocked or reported to a network administrator. We have developed market-leading DPI technology that accurately identifies hundreds of application protocols at higher speeds and creates customized detailed usage analyses and reports.

The illustration below demonstrates our solution's integration of application control with subscriber management.



Our solutions enable our end-customers to accomplish the following objectives:

Network Visibility

Our NetEnforcer system and NetXplorer application suite enable our end users to generate detailed real time and historical reports on subscriber behavior and application usage. Our systems also offer enterprises visibility into the types of applications being used on their networks and threats to the efficient delivery of mission-critical applications. Our intelligent network solutions identify:

- bandwidth usage by application;
- subscriber usage patterns;

- real-time network performance;
- long- and short-term usage trends; and
- abnormal events, such as malicious traffic, including denial-of-service attacks and worms.

Application Management and Control

After achieving network visibility, service providers and enterprises apply our intelligent network application management technology to improve service quality by optimizing available bandwidth usage for different applications and prioritizing network traffic. For example, P2P applications that consume large amounts of network bandwidth can be de-prioritized to enhance the performance of applications that are more sensitive to delay such as VoIP or Internet video. Providers can also choose to limit the usage of P2P applications during peek hours of network traffic in order to optimize, prioritize and even guarantee the performance of other applications. Alternatively, service providers may elect to limit individual subscribers who use the network excessively, allocating resources more equitably among users. Intelligent application controls can ensure the delivery of mission-critical applications by prioritizing non-critical, bandwidth-intensive applications, discourage the use of non-business or recreational applications, and warn and protect against security threats.

Subscriber and Service Management

Our offerings enable service providers to increase total revenue, ARPU and customer loyalty by offering tiered service plans and differentiated content offerings to better meet varying subscriber needs. Using our systems, service providers can:

- tailor and price service plans differently for “light” subscribers, such as those who use the network primarily for e-mail, and “heavy” subscribers including those that use the network for broadband-intensive applications;
- prioritize network traffic by application type and offer subscriber plans that guarantee performance of their intended application such as VoIP;
- offer subscribers the ability to purchase additional bandwidth on demand for particular applications (such as extra bandwidth for downloading video on-demand or for large data transfers); and
- offer guaranteed bandwidth to those content providers who require prioritized content delivery. The content provider and the service provider can then collaborate to provide a premium experience for the subscriber with both parties sharing the resulting revenue.

Our Competitive Strengths

Our competitive strengths include the following:

- *Market-leading DPI technology and analytical capabilities.* Our market leading DPI technology enables our solutions to identify hundreds of network applications and protocols in real time. We continuously monitor the development of new applications and respond rapidly to requests from customers to address new applications. We believe that our continued focus on developing the most efficient means to search for application patterns and behaviors, including encrypted applications which are very difficult to identify, combined with our extensive database of algorithms that detect network applications and protocols, provide us with a significant competitive advantage. In addition, our NetXplorer management application suite has sophisticated data mining capabilities enabling it to collect, group and analyze data from multiple sources, and to provide users with detailed, customized and user-friendly information displays. We believe that our NetEnforcer AC-2500, is currently the only commercially deployed solution with its level of functionality capable of supporting 5 gigabits/second performance and 2 million simultaneous connections. Several NetEnforcer AC-2500s can be grouped together to support higher performance networks of up to 10 gigabits per second and beyond.

Furthermore, during the first half of 2007 we plan to add a 10 gigabits physical interface to our NetEnforcer AC-2500 system that will support end users in their transition to 10 gigabit networks.

- *Broad product portfolio.* Our broad product portfolio enables us to compete in a wide range of markets and enables our channel partners to serve a wider range of markets. Our NetEnforcer AC-400 and NetEnforcer AC-800 systems address the specialized needs of small and midsize service providers and enterprises, while our NetEnforcer AC-1000 and NetEnforcer AC-2500 address the needs of large service providers and enterprises. We believe that this breadth of products has enabled us to successfully target profitable markets, such as smaller service providers and universities, while our larger competitors generally target only large service providers or enterprises.
- *Independence from underlying network infrastructure.* Our DPI solutions are independent from and not embedded in the underlying network infrastructure. We believe that independent solutions are easier to deploy in existing networks and are less likely to compromise the reliability, performance and stability of networks, which is critical to service providers and enterprises, because they do not require changes or upgrades to the network infrastructure. Independent solutions can be upgraded easily to respond to rapid changes in application behavior and subscriber demands without impacting network performance. In addition, independent solutions provide service providers and enterprises more flexibility in choosing their infrastructure equipment manufacturer, thereby allowing them to choose best of breed products that suit their specific application requirements, as well as reducing their dependence on a single vendor.
- *Global sales and marketing channels.* We have a global sales and marketing network of over 300 distributors, resellers, OEMs and system integrators. We make substantially all of our sales through these channel partners, who are also responsible for installing our products and providing technical support. To date, we have deployed over 9,000 NetEnforcer systems in 118 countries. Our channel partners have enabled us to achieve a diverse revenue base and to target markets that we would not have been able to address without significant investment in an internal sales and marketing force.
- *Focus on service optimization solutions.* We believe that our dedicated focus on DPI solutions differentiates the level of service and support that we provide to our channel partners and end-customers, and has been critical to the advancement and deployment of our products. This includes our responsiveness to the introduction of new applications and effective integration of our products into our customers' existing billing, customer care and other business systems. In addition, we offer technical support through our field offices and channel partners, both before and after sales, that we believe helps us win and retain end-customers.

Our Strategy

Our goal is to be the leader in offering service providers and enterprises network inspection and management solutions to transform generic access broadband networks into intelligent broadband networks. Our strategy to achieve this goal includes the following:

- *Further our technological advantage.* We intend to continue investing in the development of our market leading broadband service optimization technologies. For example, our next generation solutions, which are designed to support multiple channels of 10 gigabits/second full performance throughput rates, will utilize the new Advanced Telecom Computing Architecture standards, or ATCA, since it better enables the integration of additional third-party services into our product offerings. We are also committed to developing new applications and services, such as subscriber management applications, voice and video quality analysis and additional security applications, in order to meet the evolving demands of our end-customers.
- *Continue to expand our sales and marketing channels.* We intend to expand our world-wide sales and marketing channels to further address small and medium-sized service providers and enterprises, including in the government and education sectors. Through these channels, we have sold our products to a diverse range of end-customers and we intend to build on this success by continuously improving

our channel relationships, creating mutual marketing campaigns and supporting their efforts to promote our products. We intend to seek channel partners in new geographical territories, as well as in vertical markets in countries where we have already established a presence.

- *Focus on larger service providers.* We intend to target larger service providers, including carriers, and cable and mobile operators, in response to increased demand from them for the ability to differentiate their service offerings. We believe that targeting large service providers is important to our revenue growth because sales to these end-customers are more likely to result in sustained demand for our NetEnforcer systems as they deploy our products throughout their networks. We believe that we are well-positioned to continue to target these end-customers with our carrier-class products, together with our management solutions, operating experience and installed base. We intend to target these end-customers by continuing to develop partnerships with system integrators and OEMs in order to leverage their existing relationships with larger service providers. We intend to supplement these efforts with direct business development and by tailoring our customer support capabilities to further enhance our ability to support system integrators and OEMs.
- *Selectively pursue strategic partnerships and acquisitions.* We intend to selectively pursue partnerships and acquisitions that will provide us access to complementary technologies and accelerate our penetration into new markets, including mobile networks, security applications and subscriber management. For example, in 2002 we acquired the assets of NetReality, an Israeli manufacturer of traffic management solutions, which increased our customer base and enhanced our engineering capabilities and technology. We believe that our core DPI technology and intelligent network management expertise can be complemented with other technologies that enhance our service offerings, such as parental control, security and subscriber management.

Our Products

NetEnforcer

Our NetEnforcer traffic management system inspects, monitors and controls network traffic by application and by user. NetEnforcer devices are positioned at multiple strategic network locations where the most traffic traverses and can be monitored and managed. These locations include network access points, or “peering points,” where the network connects to other networks and data centers. NetEnforcer includes its own management software and can also be managed by other vendor management applications through an interface that integrates with the end-customer’s operating environment. These applications include policy servers, provisioning systems, customer care and billing applications.

NetEnforcer devices are available in several different models to address the needs of a wide range of service providers and enterprises:

Series	Target Market	Operation Speeds	Subscribers(1)
NetEnforcer AC-400	Small to medium enterprise networks and service provider networks	2, 10, 45 and 100 Mbps	Up to 4,000
NetEnforcer AC-800	Medium and large enterprise networks and medium service provider networks	45, 100, 155 and 310 Mbps	Up to 28,000
NetEnforcer AC-1000/ AC-2500	Carrier-class solutions used by medium and large service provider networks	155, 310, 400 and 622 Mbps, and 1 Gbps and 5 Gbps	Up to 80,000

(1) Represents the maximum number of subscribers that a system can handle simultaneously. Typically, due to network topology, redundancy requirements and other constraints, such as total bandwidth available per subscriber, the actual number per NetEnforcer unit is lower.

Our NetEnforcer AC-1000 and AC-2500 are designed to meet NEBS (Network Equipment Building System) Level 3 certification requirements to ensure operation in extreme environmental conditions and are currently undergoing the certification process.

NetEnforcer offers the following features:

- DPI technology that identifies hundreds of applications and protocols, including web applications, multiple VoIP and video protocols, e-mail protocols, online video gaming, business applications, instant messaging, including the distinction between chat and voice, and a large number of different P2P applications;
- carrier-class performance supporting multiple gigabit per second throughput servicing tens of thousands of subscribers and permitting a significant level of processing for each flow and packet;
- hierarchical traffic management policies enabling the prioritization, redirection and blockage of traffic flow;
- independence from network infrastructure resulting in easy and cost-effective deployment without risk to network integrity;
- an open standards platform that allows our end-customers the flexibility to integrate a variety of other applications, such as billing and customer care software and to use existing infrastructure equipment;
- carrier-class design supporting high availability and redundancy;
- identification of individual user profiles to help dynamically shape traffic according to the policies set by the service provider or enterprise; and
- the ability to identify and mitigate security threats and other abnormal events traversing the network.

NetXplorer

Our NetXplorer management application suite, introduced in late 2005, provides enterprises and service providers a highly granular, real time view of all traffic on the network. This centralized management suite, which replaces our previous management applications, works in conjunction with our NetEnforcer products to provide network traffic intelligence and enable enterprises and service providers to effectively manage broadband services and set policies for the use of their networks. The data provided from multiple NetEnforcer

systems are aggregated, analyzed and conveyed using our NetXplorer management application suite. NetXplorer offers the following features:

- network-wide visibility for in-depth analysis, including identification of traffic trends and inspection down to the individual device, user or application level for real-time troubleshooting;
- intuitive graphical interface that provides both a logical network-wide perspective together with the power to quickly navigate at the device, user or application level;
- monitoring and analysis, including in-depth analysis at the single user sessions and single applications, real-time monitoring, short-term monitoring for the collection of highly granular information;
- multiple technologies designed to cope with the inherent challenge of collecting large amounts of data from multiple sources and storing and aggregating the data into a central database;
- insightful reporting of information in real-time and over time for evaluation of trends and accurate capacity planning, and for tracking usage for accounting or charge-back purposes using volume-based reports in hundreds of customizable formats;
- ability to build policies to enable rapid deployment of services or service changes and automatic distribution of configurations and changes to all managed NetEnforcer units;
- configuration and policy provisioning of managed NetEnforcers without logging into each device;
- frontline security enabling easy detection of potential denial of service attacks or network-born security attacks, setting of thresholds, generation of alarms, and automatic execution of corrective actions; and
- intelligent alarms about abnormal events and automatically invoke corrective actions before problems become costly.

The addition of our Subscriber Management Platform to NetXplorer enables each of the above features on a per network and per subscriber basis.

NetXplorer architecture consists of four elements: first, the client element is the NetXplorer graphical user interface application; second, the server element consisting of the actual NetXplorer application, including the database; third, the optional collector element, which assists in collecting large amounts of data from multiple NetEnforcers; and fourth, an agent element that is an add-on to the NetEnforcer that enables it to be managed by the NetXplorer and support all network management functions.

Technology

Our expertise in sophisticated DPI-based solutions designed for service provider and enterprise environments is our core technological strength. We have invested significant resources in designing, planning and developing scalable integrated network traffic management solutions that provide a granular level of detail to monitor and control Internet traffic at the single application connection level.

Our intelligent network products are the result of integrating multiple skill sets into a single solution. These skills include:

- *Multiple application identification.* Some application developers are creating new techniques designed to avoid detection and are introducing new versions that change their communication protocols frequently. Accordingly, we have invested heavily in our DPI technology in two principal areas: (1) developing efficient DPI methods, such as searching for signatures, detecting behavior patterns and tracking the progress of application session establishment over multiple packets and flows (“state-full session tracking”) that are used to identify applications, including those that use data encryption, and (2) research, including researching the thousands of applications used in network environments and finding the appropriate detection method for each.
- *High-rate classification and policy matching of IP flows.* We have built an embedded system solution and technology that combines special packet processing applications and devices to provide high speed

DPI and quality of service processing. The DPI methods we have developed require processing large sequences of packet data, which is more sophisticated than the methods employed by traditional network elements. Our products, and in particular the NetEnforcer AC-1000 and AC-2500, are designed to use network processor technology, which provides fast data packet processing, under very tight memory constraints, large code sizes and complex development environments. We have invested significant time developing, adapting and optimizing our network processor technology to support all necessary functions at the required level of performance.

- *Multiple actions quality-of-service enforcement.* Our technology includes the ability to perform a number of quality of service enforcement actions using multiple parameters. Our products use our proprietary per flow queuing algorithm, which implements quality of service control per flow with up to 2 million concurrent sessions using queuing techniques and provides quality of service actions for bandwidth limitation or guarantee, connection block or re-direct or use relative priority in bandwidth allocation, as well combinations of multiple actions.
- *Real-time collection, aggregation, export of traffic statistics.* NetEnforcer implements the collection of traffic statistics in real-time for the network traffic passing through the device by counting the byte-volume of traffic per connection, conversation or policy rule. A number of algorithms are implemented to filter and aggregate the collected statistics based on the end-user's target information and the significance of the data. The implementation takes into account high-scale traffic volume of up to 5 gigabits and 2 million concurrent connections and the fact that the NetEnforcer has to complete an export cycle of the collected statistics in 30-second intervals.
- *Presentation of traffic statistics.* Our NetXplorer server collects statistics from multiple NetEnforcers over the network and aggregates the information into a consolidated database for retrieval by the operator. We have developed algorithms for efficient aggregation, storage and retrieval of information so that the server is able to complete a collection cycle with multiple NetEnforcers within the desired time and provides data mining capabilities to the operator with fast response time when producing a report. This includes an optimized collection process and aggregation process, an efficient database scheme and report execution.

Customers

We have a global, diversified end-customer base consisting primarily of service providers and enterprises. Our direct customers are generally distributors, resellers, OEMs and system integrators, who we refer to as our channel partners. In 2005, we derived 50% of our revenues from Europe, the Middle East and Africa, 32% from the Americas and 18% from Asia and Oceania. We generally only have direct contact with end-customers in the case of larger projects since smaller projects are driven by our channel partners. A single system integrator located in the United Kingdom accounted for 16% of our revenues in 2005 and accounted for 27% of our revenues in the first nine months of 2006, primarily through product sales to NTL. Otherwise, no end-customer accounted for more than 10% of our revenues in 2005 and, other than NTL, no end-customer accounted for more than 5% of our revenues in the first nine months of 2006. Our end-customers, who purchase products through our channel partners include:

- Cablecom (United Kingdom)
- China Unicom Beijing
- China Telecom Guizhou
- Eutelsat S.A. (Europe)
- Fastweb Spa (Italy)
- Fuji TV (Japan)
- Horizon Line Brasil Ltda-Group ISP Vivax
- MetroCast Cablevision (United States)
- MegaCable (Mexico)
- NTL Telewest Networks (United Kingdom)
- NTT Communications (Japan)
- NZ Telecom (New Zealand)
- Optus (Australia)
- Perot Systems Inc. (United States)
- PCCW (Hong Kong)
- Samsung Security (Korea)
- Seednet (Taiwan)
- Schneider Electric

• Shin Satellite Public Co. Ltd. (Asia)
• Spacenet Inc. (United States)
• Telecom (Colombia Telecomunicaiones S.A.)
• TNM, PT Telecom (Portugal)
• True Internet Co. Ltd. (Thailand)
• Unwired Australia
• Wakwak (Japan)
• Verizon Avenue (United States)
• NYC Department of Education (United States)
• ZID-Zentrum fur Informations (Germany)

Channel Partners

We market and sell our products to end-customers through our channel partners, which include distributors, resellers, OEMs and system integrators. Our channel partners generally purchase our products from us upon receiving orders from end-customers and are responsible for installing and providing initial customer support for our products. As of September 30, 2006, we had approximately 300 channel partners. Our channel partners are located around the world and address most major markets. Our channel partners target a range of end-users, including carriers, alternative carriers, cable operators, private networks, data centers and enterprises in a wide range of industries, including government, financial institutions and education. Our agreements with channel partners that are distributors or resellers are generally for an initial term of one year and automatically renew for successive one-year terms unless terminated. After the first year, such agreements may be terminated by either party upon 90 days prior notice. These agreements are generally non-exclusive and generally contain minimum purchase requirements and we are permitted to terminate the agreement in the event of a failure to meet such targets.

We offer extensive support to all of our channel partners. This support includes the generation of leads through marketing events, seminars and web-based leads and incentive programs as well as technical and sales training.

Our sales staff's direct contact with end-customers consists mainly of developing leads for our channel partners. Substantially all of our sales occur through our channel partners.

Sales and Marketing

The sales and deployment cycle for our products varies based upon the intended use by the end-customer. The sales cycle for initial network deployment may last between one and three years for large and medium service providers, six to twelve months for small service providers, and one to six months for enterprises. Follow-on orders and additional deployment of our products usually require shorter cycles. Large and medium service providers generally take longer to plan the integration of DPI solutions into their existing networks and to set goals for the implementation of the technology.

We focus our marketing efforts on product positioning, increasing brand awareness, communicating product advantages and generating qualified leads for our sales organization. We rely on a variety of marketing communications channels, including our website, trade shows, industry research and professional publications, the press and special events to gain wider market exposure.

We have organized our worldwide sales efforts into the following three territories: North and South America, Europe the Middle East and Africa, and Asia and Oceania. We have regional offices in the U.S, Israel, France, Spain, United Kingdom, Singapore, Japan and China, and a dedicated regional sales presence in Germany, Italy, Denmark and Australia. We also maintain a regional sales presence in Mexico and Brazil.

As of September 30, 2006, our sales and marketing staff consisted of 96 employees, including 39 sales and support engineers that support the end-customers in pre- and post-sales activities.

Service and Technical Support

We believe our technical support and professional services capabilities are a key element of our sales strategy. Our technical staff assists in presales activities and advises channel partners on the integration of our solutions into end-user networks. Our basic warranty extended to end-customers through our channel partners is three months for software and 12 months for hardware. End-customers are also offered, through our channel

partners, a choice of one year or three-year customer support programs when they purchase our products. These warranties can be renewed at the end of their terms. Our end-customer support plans offer the following features:

• expedited replacement units in the event of a warranty claim; and

• software updates and upgrades offering new features and addressing new network applications.

Our channel partner support plans are designed to maximize network up-time and minimize operating costs. Our channel partners and their end-customers are entitled to take advantage of our around-the-clock technical support which we provide through our four help desks, located in France, Israel, Singapore and the United States. We also offer our channel partners 24-hour access to an external web-based technical knowledge base, which provides technical support information and enables them to support their customers independently and obtain follow up and support from us. We manage our channel partner and customer support efforts through a single database which enables us to track seamlessly any response provided to a channel partner or end-customer from a different office and to escalate automatically any customer inquiry after a predetermined period of time.

Research and Development

Our research and development activities take place in Israel. As of September 30, 2006, 95 of our employees were engaged primarily in research and development. We devote a significant amount of our resources towards research and development to introduce and continuously enhance products to support our growth strategy. We have assembled a core team of experienced engineers, many of whom are leaders in their particular field or discipline and have technical degrees from top universities and experience working for leading Israeli networking companies. These engineers are involved in advancing our core technologies, as well as in applying these core technologies to our product development activities. Our research and development efforts have benefited from royalty-bearing grants from the Office of the Chief Scientist. The State of Israel does not own any proprietary rights in technology developed with the Office of the Chief Scientist funding and there is no restriction related to the Office of the Chief Scientist on the export of products manufactured using technology developed with Office of the Chief Scientist funding. For a description of restrictions on the transfer of the technology and with respect to manufacturing rights, please see “Risk Factors — The government grants we have received for research and development expenditures restrict our ability to manufacture products and transfer technologies outside of Israel and require us to satisfy specified conditions. If we fail to comply with such restrictions or these conditions, we may be required to refund grants previously received together with interest and penalties, and may be subject to criminal charges.”

Manufacturing

We subcontract the manufacture and repair of our NetEnforcer products to R.H. Electronics, an Israeli manufacturer. This strategy enables us to reduce our fixed costs, focus on our core research and development competencies and provide flexibility in meeting market demand. R.H. Electronics is contractually obligated to use commercially reasonable efforts to provide us with manufacturing services based on agreed specifications, including manufacturing, assembling, testing, packaging and procuring the raw materials for our NetEnforcer devices. We submit advance forecasts of our projected requirements and R.H. Electronics is required to maintain an inventory of components sufficient to support the manufacture of an agreed number of our units beyond these projections. We are not required to provide any minimum orders. Our agreement with R.H. Electronics is automatically renewed annually for additional one-year terms, unless we or R.H. Electronics elect not to renew by giving at least 90 days prior notice to the expiration of any such term. Furthermore, either we or R.H. Electronics may terminate the agreement at any time upon prior notice of 120 days. We retain the right to procure independently any of the components used in our products. R.H. Electronics has a U.S. subsidiary to which it can, with the prior consent of the Office of the Chief Scientist, transfer manufacturing of our products if necessary, in which event we may be required to pay increased royalties to the Office of the Chief Scientist. We expect that it would take approximately six months to transition

manufacturing of our products to an alternate manufacturer. We are, however, negotiating with candidates for an additional third-party manufacturer.

We design and develop internally a number of the key components for our products, including printed circuit boards and software. Some of the components used in NetEnforcer are obtained from single or limited sources. Since our products have been designed to incorporate these specific components, any change in these components due to an interruption in supply or our inability to obtain such components on a timely basis would require engineering changes to our products before we could incorporate substitute components. In particular, we purchase the central processing unit for our NetEnforcer AC-400 and our NetEnforcer AC-800 from Intel Corporation and we have agreed to purchase the network processor for our NetEnforcer AC-1000 and our NetEnforcer AC-2500 from Hifn Inc. We carry approximately three to six months of inventory of key components. We also work closely with our suppliers to monitor the end-of-life of the product cycle for integral components, and believe that in the event that they announce end of life, we will be able to increase our inventory to allow enough time for replacing the products. We have been informed by Hifn that it is their general policy to provide their customers with a 6-month last-time-buy option and 12 months to take delivery of the product in the event that Hifn decides to discontinue production of the network processor. Product testing and quality assurance is performed by our contract manufacturer using tests and automated testing equipment and according to controlled test documentation we specify. We also use inspection testing and statistical process controls to assure the quality and reliability of our products.

Competition

Our principal competitors are Cisco Systems (through its acquisition of P-Cube), Sandvine and Ellacoya Networks in the service provider market, and Packeteer in the enterprise market. We also compete in particular geographic areas with a number of smaller local competitors. We also face competition from companies that offer partial solutions addressing only one aspect of the challenges facing broadband providers, such as network monitoring or security. We compete on the basis of product performance, such as speed and number of applications identified, ease of use and installation, and customer support. Price is also an important, although not the principal, basis on which we compete. See “Risk Factors — We may be unable to compete effectively with other companies in our market who offer, or may in the future offer, competing technologies.”

Intellectual Property

Our intellectual property rights are very important to our business. We believe that the complexity of our products and the know-how incorporated in them makes it difficult to copy them or replicate their features. We rely on a combination of confidentiality and other protective clauses in our agreements, copyright and trademarks to protect our know-how. We also restrict access to our servers physically and through closed networks since our product designs and software are stored electronically and thus are highly portable.

We customarily require our employees, distributors, resellers, software testers and contractors to execute confidentiality agreements or agree to confidentiality undertakings when their relationship with us begins. Typically, our employment contracts also include the following clauses: assignment of intellectual property rights for all inventions developed by employees, non-disclosure of all confidential information, and non-compete clauses for six months following termination of employment. The enforceability of non-compete clauses in Israel is limited. Because our product designs and software are stored electronically and thus are highly portable, we attempt to reduce the portability of our designs and software by physically protecting our servers through the use of closed networks, which prevent external access to our servers.

The communications equipment industry is characterized by constant product changes resulting from new technological developments, performance improvements and lower hardware costs. We believe that our future growth depends to a large extent on our ability to be an innovator in the development and application of hardware and software technology. As we develop the next generation products, we intend to pursue patent protection for our core technologies in the telecommunications segment. We plan to seek patent protection in our largest markets and our competitors’ markets, for example in the United States and Europe. As we continue to move into markets, such as Japan, Korea and China, we will evaluate how best to protect our

technologies in those markets. We intend to vigorously prosecute and defend the rights of our intellectual property.

As of September 30, 2006, we had two U.S. patents and four pending patent applications in the United States. We also have one pending counterpart application outside of the United States, filed pursuant to the Patent Cooperation Treaty. We expect to formalize our evaluation process for determining which inventions to protect by patents or other means. We cannot be certain that patents will be issued as a result of the patent applications we have filed.

We have obtained U.S. trademark registrations for certain of our key marks that we use to identify our products or services, including “NetEnforcer” and “Allot Communications.”

Corporate Organization

We conduct our global operations through five wholly-owned subsidiaries: (1) Allot Communications, Inc., headquartered in Eden Prairie, Minnesota; (2) Allot Communication Europe SARL, headquartered in Sophia, France; (3) Allot Communications Japan K.K., headquartered in Tokyo, Japan; (4) Allot Communications (UK) Limited, headquartered in Bedford, England; and (5) Allot Communications (Asia Pacific) Pte. Ltd., headquartered in Singapore. Our U.S. subsidiary commenced operations in 1997 and engages in the sale, marketing and technical support services in the United States of products manufactured by and imported from our company. Our French, U.K., Japanese and Singapore subsidiaries engage in marketing and technical support services of our products in Europe, Japan and Asia Pacific, respectively.

Employees

As of September 30, 2006, we had 232 employees of whom 170 were based in Israel, 29 in the United States and the remainder in Asia and Europe. The breakdown of our employees by department is as follows:

Department	December 31, 2003	December 31, 2004	December 31, 2005	September 30, 2006
Manufacturing and operations	10	14	14	22
Research and development	44	64	75	95
Sales, marketing, service and support	57	74	80	96
Management and administration	9	11	15	19
Total	120	163	184	232

Under applicable Israeli law, we and our employees are subject to protective labor provisions such as restrictions on working hours, minimum wages, minimum vacation, sick pay, severance pay and advance notice of termination of employment as well as equal opportunity and anti-discrimination laws. Orders issued by the Israeli Ministry of Industry, Trade and Labor make certain industry-wide collective bargaining agreements applicable to us. These agreements affect matters such as cost of living adjustments to salaries, length of working hours and week, recuperation, travel expenses, and pension rights. Our employees are not represented by a labor union. We provide our employees with benefits and working conditions which we believe are competitive with benefits and working conditions provided by similar companies in Israel. We have never experienced labor-related work stoppages and believe that our relations with our employees are good.

Facilities

Our principal administrative and research and development activities are located in a 39,245 square foot (3,646 square meter) facility in Hod-Hasharon, Israel. The lease for this facility commenced in August 2006 and will expire in August 2013. We believe that this facility will be adequate to meet our needs in Israel for at least the next 12 months.

We also lease a 5,812 square foot (539 square meter) facility in Eden Prairie, MN, for the purposes of our U.S. sales and marketing operations pursuant to a lease that expires in August 2008. We lease other

smaller facilities for the purpose of our sales and marketing activities in France, the United Kingdom, Singapore, Spain, China and Japan.

Legal Proceedings

We are not a party to any material litigation or proceeding and are not aware of any material litigation or proceeding, pending or threatened, to which we may become a party.

MANAGEMENT

Directors and Executive Officers

Our directors and executive officers, their ages and positions as of September 30, 2006, are as follows:

Name	Age	Position
Directors		
Yigal Jacoby	45	Chairman of the Board
Rami Hadar	43	Director, Chief Executive Officer and President
Yossi Sela(1)	54	Director
Dr. Eyal Kishon(1)(2)	46	Director
Shai Saul(1)	44	Director
Erel Margalit(2)	45	Director
Yosi Elihav(2)	52	Director
Executive Officers		
Adi Sapir	36	Chief Financial Officer
Amir Weinstein	46	Executive Vice President — Products and Technology
Anat Shenig	37	Director of Human Resources
Elazar (Azi) Ronen	45	Executive Vice President — Corporate Development
Larry Schmidt	49	Vice President — The Americas
Menashe Mukhtar	46	Vice President — International Sales
Michael Shurman	51	Chief Technology Officer and Vice President — Product Management
Pini Gvili	41	Vice President — Operations
Ramy Moriah	50	Vice President — Customer Care and Information Technology
Sharon Hess	52	Vice President — Marketing

(1) Member of our compensation and nominating committee.

(2) Member of our audit committee.

Directors

Yigal Jacoby co-founded our company in 1996 and serves as Chairman of our board of directors. Prior to co-founding Allot, Mr. Jacoby served as General Manager of Bay Network's Network Management Division in Santa Clara from 1996 to 1997. In 1992, he founded Armon Networking, a manufacturer of RMON-based network management solutions, which was sold to Bay Networks in 1996. He also held various engineering and marketing management positions at Tekelec, a manufacturer of Telecommunication monitoring and diagnostic equipment, including Director, OSI & LAN Products from 1989 to 1992 and Engineering Manager from 1987 to 1989. Mr. Jacoby has founded several startups in the communications field and served on their boards. Mr. Jacoby has a B.A., *cum laude*, in Computer Science from Technion — Israel Institute of Technology and an M.Sc. in Computer Science from University of Southern California.

Rami Hadar has served as our Chief Executive Officer and President since 2006 and is a member of our board of directors. Prior to joining us, Mr. Hadar founded CTP Systems, a developer of cordless telephony systems in 1989 and served as Chief Executive Officer until its acquisition by DSP Communications in 1995. Mr. Hadar continued with DSP Communication's executive management team for two years, and thereafter, in 1999, the company was acquired by Intel. In 1997, Mr. Hadar co-founded Ensemble Communications, a pioneer in the broadband wireless space and the WiMax standard, where he served as Executive Vice President of Sales and Marketing until 2002. Mr. Hadar also served as Chief Executive Officer of Native Networks from

2002 to 2005. Mr. Hadar holds a B.Sc. in Electrical Engineering from Technion — Israel Institute of Technology.

Yossi Sela has served as a director since 1998. Mr. Sela is the Managing Partner of Gemini Israel Funds, a leading Venture Capital fund, which invests primarily in seed and early stage Israeli technology companies. In this capacity, Mr. Sela sits on the board of a number of Gemini portfolio companies, including Adimos Inc., Saifun Semiconductors Ltd., and IXI Mobile, Ltd. Mr. Sela's past board positions include CommTouch Software Ltd., Precise Software Solutions Ltd. and Envara Inc. In 1995, he served as the Chief Executive Officer of Ornet Data Communication Technologies Ltd., which was a Gemini portfolio company. Mr. Sela led that company until its acquisition by Siemens AG in September 1995. From 1990 to 1992, Mr. Sela served as Vice President of Marketing at DSP Group, an American-Israeli company specializing in proprietary Digital Signal Processing for consumer and telecommunication applications. He later served as VP Marketing at DSP Communications, Inc., a spin-off of DSP Group. From 1985 to 1989, Mr. Sela worked at Daisy Systems Inc. where he was Director for CAD Development and PCB Marketing Manager for Europe. From 1974 to 1984, he served in the Israel Defense Forces and was responsible for the definition and development of systems for communication applications. Mr. Sela holds a B.Sc. in Electrical Engineering from the Technion — Israel Institute of Technology and an M.B.A. from Tel Aviv University.

Dr. Eyal Kishon has served as a director since 1998. In 1996, Dr. Kishon co-founded Genesis Partners, an Israeli technology-driven venture capital fund, and currently serves as Founder and Managing Partner. From 1993 to 1996, Dr. Kishon served as the Associate Director of the Polaris Fund, now Pitango. Prior to that, Dr. Kishon served as Chief Technology Officer at Yozma Venture Capital from 1992 to 1993. From 1991 to 1992, he worked at the IBM Research Center, and from 1989 to 1991 he worked at the AT&T Bell Laboratories' Robotics Research Department. Dr. Kishon also serves as a director of AudioCodes Ltd. (NASDAQ: AUDC) and Celtro Inc. He holds a Ph.D. in Computer Science and Robotics from the Courant Institute of Mathematical Sciences at New York University and a B.A. in Computer Science from the Technion — Israel Institute of Technology. Dr. Kishon has written a number of scientific publications and holds a patent for signature verification for interactive security systems.

Shai Saul has served as a director since 2000. Mr. Saul is currently Managing General Partner of Tamir Fishman Ventures. During 2001, he acted as interim-CEO for CopperGate Communications. From 1994 to 1999, Mr. Saul acted as Executive Vice President for Aladdin Knowledge Systems Ltd. (NASDAQ: ALDN), a leading provider of digital security solutions. From 1993 to 1994, he served as Chief Executive Officer of Ganot Ltd. Mr. Saul also serves as Chairman of the Board of CopperGate Communications. Mr. Saul holds an LL.B. from Tel Aviv University.

Erel Margalit has served as a director since 2006. Mr. Margalit founded Jerusalem Venture Partners and has served as its Managing General Partner since 1997. He co-founded Jerusalem Pacific Ventures in 1993. From 1990 to 1993, Mr. Margalit was the Director of Business Development for the City of Jerusalem under its former Mayor, Teddy Kollek. He also serves as a director of several portfolio companies including Cogent Communications, Inc., Cyber-Ark Software, Ltd., CyOptics Inc., MagniFire, Native Networks, Bridgewave Communications, Sepaton and UP Tech. Mr. Margalit holds an M.A. in philosophy from Columbia University and an M.B.A. from Hebrew University.

Yosi Elihav has served as a director since 1997. Mr. Elihav was retained by the high-tech RAD Group as a finance and capital markets activities consultant and tax consultant since the beginning of 1999. Also, since 2001, he has served as director and manager in the RAD Ventures Limited Partners investment fund. From, 1986-1998, Mr. Elihav was a managing partner in the firm of Schwartz, Lerner, Duvshani & Co., Certified Public Accountants. Mr. Elihav is a qualified C.P.A. who holds a B.A. in Accounting and Economics from Tel Aviv University.

Executive Officers

Adi Sapir joined our company in 1998 and has served as our Chief Financial Officer since then. Prior to joining us, from 1996 to 1998, Mr. Sapir worked for Teva Pharmaceutical Industries (NASDAQ: TEVA), a global pharmaceutical company specializing in the development, production and marketing of generic and

proprietary branded pharmaceuticals as well as active pharmaceutical ingredients, as a Controller for the Israel and International Divisions. Mr. Sapir is a certified public accountant in Israel and holds a B.A. in Accounting and a B.A. in Economics from Tel Aviv University.

Amir Weinstein joined our company in 2005 and has served as our Executive Vice President — Products and Technology since then. Prior to that, in 1999, Mr. Weinstein co-founded Business Layers, now Netegrity, a provisioning company, providing workflow and IT provisioning solutions to enterprises, and held the position of General Manager until 2004. Mr. Weinstein has held several other senior management positions, including Vice President of Engineering at Nortel Networks, a phone and data communication company from 1996 to 1999. Amir holds a B.Sc. in Computer Science and Mathematics from Bar Ilan University and M.Sc. in Computer Science from UCLA.

Anat Shenig joined our company in 2000 and has served as our Director of Human Resources ever since. She is responsible for human resources recruiting, welfare policy and employees' training. Prior to joining us, Ms. Shenig served as Human Resource Manager for Davidoff insurance company and as an organizational consultant for Aman Consulting. Ms. Shenig holds bachelor degrees in Psychology and Economics from Tel Aviv University and an M.B.A. in organizational behavior from Tel Aviv University.

Elazar (**Azi) Ronen** has served as our Executive Vice President — Corporate Development since 2005 and served as Executive Vice President — Technology and Marketing from 1999 to 2005. Prior to joining us, from 1998 through 1999, Mr. Ronen was the Vice President of Marketing at VocalTec Communications, a vendor of VoIP networking equipment from 1998 to 1999. Previously, he was the Vice President of Research and Development at RADLINX, a member of the RAD group, a vendor of remote access servers and fax over IP networking equipment from 1990 to 1998. Mr. Ronen has a B.Sc., *cum laude*, in Computer Sciences from the Technion — Israel Institute of Technology.

Larry Schmidt joined our company in June, 2004 as Vice President, U.S. Channels Sales and has served as our Vice President — The Americas, since May, 2005. From 1989 to 2004, Mr. Schmidt was employed by Norstan, Inc., a publicly held communications solutions and services company of 1,100 employees, now part of the Black Box network services company. Most recently he served as Norstan's Executive Vice President of Direct Solutions. From 1986 to 1989, Mr. Schmidt was a Systems Consultant with Fujitsu. Mr. Schmidt holds a Bachelor of Science degree in Telecommunications from St. Mary's University and is also a graduate of the Executive Development Program at the University of Minnesota's Carlson School of Business.

Menashe Mukhtar joined our company in 1999 and has served as our Vice President — International Sales since 2001. From 1993 to 1996, he was the Sales and Marketing Manager for the Far East and Japan at LANNET, now Avaya Technologies. Prior to LANNET, from 1991 to 1993, Mr. Mukhtar held the position of Customer Support Manager for the Far East at Orbotech Systems and was a developer and manufacturer of Automatic Optical Inspection (AOI) systems for the PCB and flat panel displays industries. Mr. Mukhtar holds a B.Sc. in Electronic Engineering from Tel Aviv University.

Michael Shurman co-founded our company in 1996 and serves as our Chief Technology Officer and Vice President — Product Management. Mr. Shurman served as a member of our board of directors until October 2006. Mr. Shurman has also served as our Vice President — Engineering and as an outside consultant. Before co-founding our company, from 1995 to 1996, Mr. Shurman was Director of Software Development at LANNET, the leading provider of Local Area Network Equipment, now Avaya Technologies. He also served as LANNET's Director of Network Management from 1992-1995. He is named as the inventor on two issued U.S. patents in networking. Mr. Shurman holds a B.Sc. in Computer Science and Statistics from the Hebrew University in Jerusalem.

Pini Gvili has served as our Vice President — Operations since 2006. Prior to joining us, from 2004 to 2006, he served as Vice President Operations for Celerica, a start-up company specializing in solutions for cellular network optimization. From 2001 to 2004, he was the Vice President — Operations and IT at Terayon Communication Systems, and from 1998 to 2000, held the position of Manager of Integration and Final Testing at Telegate. He was also a hardware/software engineer at Comverse/Efrat, a world leader of voice mail

and digital recording systems, from 1994 to 1997. Mr. Gvili has a B.Sc. in computer science from Champlain University and was awarded a practical electronics degree from ORT Technical College.

Ramy Moriah has served as our Vice President — Customer Care & IT since 2005. Prior to joining us, Mr. Moriah was a founding member of Daisy System's Design Center in Israel, in 1984. From 1991 to 1994, he held the position of Manager of Software Development at Orbot Instruments, a world leader of Automatic Optical Inspection manufacturer for the VLSI Chip Industry. Mr. Moriah was also the acting General Manager at ACA, 3D CAD/solid modeling software for architecture from 1995 to 1997, and served there as Vice President — Research and Development from 1995 to 1997. Mr. Moriah holds a B.Sc., *cum laude*, in Computer Engineering from the Technion — Israel Institute of Technology and an M.Sc. in Management and Information Systems from the Tel Aviv University School of Business Administration.

Sharon Hess has served as our Vice President of Marketing, since 2005. Prior to joining us, she served as Principal of the Hess MarkITing Company from 1999 to 2005. Prior to joining us, from 1997 to 1999, Ms. Hess served as Vice President of Corporate Marketing at Tadiran Telecommunications, one of the largest Israeli high tech firms for developing and manufacturing telecommunication equipment. Tadiran Telecom was acquired by ECI Telecom. From 1995 to 1997 Ms. Hess served as Marketing Director at Algorithmic Research, and from 1995 to 1996 she was a Director of Marketing Programs EMEA at Madge Networks after Madge had acquired LANNET. She also served as Director of Marketing Communications at LANNET, from 1992 to 1995, now Avaya Technologies. She is a project faculty member and mentor to the Wharton School of Management/Recanati Tel Aviv University M.B.A. program and holds a B.A. with honors in Communications Studies from Concordia University.

Corporate Governance Practices

As a foreign private issuer, we are permitted to follow Israeli corporate governance practices instead of the Nasdaq Global Market requirements, provided we disclose which requirements we are not following and the equivalent Israeli requirement. We intend to rely on this "foreign private issuer exemption" only with respect to the quorum requirement for meetings of our shareholders. Under our articles of association to be effective following this offering, the quorum required for an ordinary meeting of shareholders will consist of at least two shareholders present in person, by proxy or by written ballot, who hold or represent between them at least 25% of the voting power of our shares, instead of $33^{1}/_{3}$% of the issued share capital provided by under the Nasdaq Global Market requirements. This quorum requirement is based on the default requirement set forth in the Israeli Companies law. We otherwise intend to comply with the Nasdaq Global Market rules requiring that listed companies have a majority of independent directors and maintain a compensation and nominating committee composed entirely of independent directors. In addition, following the closing of this offering, we intend to comply with Israeli corporate governance requirements applicable to companies incorporated in Israel whose securities are listed for trading on a stock exchange outside of Israel.

Board of Directors and Officers

Our current board of directors consists of seven directors, each of whom was appointed by a certain group of shareholders pursuant to rights of appointment granted in our articles of association, except for Mr. Hadar, who serves on our board of directors by virtue of his position as Chief Executive Officer. Our articles of association to be effective upon the closing of this offering provide that we may have up to nine directors. See "Certain Relationships and Related Party Transactions — Rights of Appointment."

Under our articles of association to be effective upon the closing of this offering, our directors (other than the outside directors, whose appointment is required under the Companies Law; see "— Outside Directors") are divided into three classes. Each class of directors consists, as nearly as possible, of one-third of the total number of directors constituting the entire board of directors (other than the outside directors). At each annual general meeting of our shareholders, the election or re-election of directors following the expiration of the term of office of the directors of that class of directors, will be for a term of office that expires on the third annual general meeting following such election or re-election, such that from 2006 and after, each year the term of office of only one class of directors will expire. Class I directors, consisting of Yosi Elihav and Erel

Margalit, will hold office until our annual meeting of shareholders to be held in 2007. Class II directors, consisting of Dr. Eyal Kishon, Yossi Sela and Shai Saul, will hold office until our annual meeting of shareholders to be held in 2008. Class III directors, consisting of Yigal Jacoby and Rami Hadar, will hold office until our annual meeting of shareholders to be held in 2009. The directors shall be elected by a vote of the holders of a majority of the voting power present and voting at that meeting. Each director, will hold office until the annual general meeting of our shareholders for the year in which his or her term expires and until his or her successor is elected and qualified, unless the tenure of such director expires earlier pursuant to the Companies Law.

Under our articles of association to be effective upon the closing of this offering, the approval of a special majority of the holders of at least 75.0% of the voting rights present and voting at a general meeting is generally required to remove any of our directors from office. The holders of a majority of the voting power present and voting at a meeting may elect directors in their stead or fill any vacancy, however created, in our board of directors. In addition, vacancies on our board of directors, other than vacancies created by an outside director, may be filled by a vote of a simple majority of the directors then in office. A director so chosen or appointed will hold office until the next annual general meeting of our shareholders, unless earlier removed by the vote of a majority of the directors then in office prior to such annual meeting. See "— Outside Directors" for a description of the procedure for election of outside directors.

Each of our executive officers serves at the discretion of the board of directors and holds office until his or her successor is elected or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

Outside Directors

Qualifications of Outside Directors

Under the Israeli Companies Law, companies incorporated under the laws of the State of Israel that are "public companies," which also includes companies with shares listed on the Nasdaq Global Market, are required to appoint at least two outside directors at a shareholders' meeting to be held within three months after becoming a "public company."

A person may not serve as an outside director if at the date of the person's appointment or within the prior two years, the person, the person's relatives, entities under the person's control, or the person's partners or employer, have or had any affiliation with us or any entity controlled by or under common control with us during the prior two years, or which controls us at the time of such person's appointment.

The term affiliation includes:

- an employment relationship;
- a business or professional relationship maintained on a regular basis;
- control; and
- service as an office holder, excluding service as a director in a private company prior to the first offering of its shares to the public if such director was appointed as a director of the private company in order to serve as an outside director following the public offering.

The term relative is defined as spouses, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of each of these persons.

The term office holder is defined as a director, general manager, chief business manager, deputy general manager, vice general manager, executive vice president, vice president, other manager directly subordinate to the general manager or any other person assuming the responsibilities of any of the foregoing positions, without regard to such person's title. Each person listed under "— Directors and Executive Officers" is an office holder.

No person can serve as an outside director if the person's position or other business create, or may create, a conflict of interests with the person's responsibilities as a director or may otherwise interfere with the person's ability to serve as a director. If at the time an outside director is appointed all current members of the board of directors are of the same gender, then that outside director must be of the other gender.

The Companies Law provides that each outside director must meet certain professional qualifications or have financial and accounting expertise, and that at least one outside director must have financial and accounting expertise. However, if at least one of our directors meets the independence requirements of the Securities Exchange Act of 1934, as amended, and the standards of the Nasdaq Global Market rules for membership on the audit committee and also has financial and accounting expertise as defined in the Companies Law and applicable regulations, then our outside directors are required to meet the professional qualifications only. Under applicable regulations, a director with financial and accounting expertise is a director who, by reason of his or her education, professional experience and skill, has a high level of proficiency in and understanding of business accounting matters and financial statements. He or she must be able to thoroughly comprehend the financial statements of the company and initiate debate regarding the manner in which financial information is presented. The regulations define a director with the requisite professional qualifications as a director who satisfies one of the following requirements: (1) the director holds an academic degree in either economics, business administration, accounting, law or public administration, (2) the director either holds an academic degree in any other field or has completed another form of higher education in the company's primary field of business or in an area which is relevant to the office of an outside director, or (3) the director has at least five years of cumulative experience serving in one or more of the following capacities: (a) a senior business management position in a corporation with a substantial scope of business, (b) a senior position in company's primary field of business or (c) a senior position in public administration.

Until the lapse of two years from termination of office, a company may not engage an outside director to serve as an office holder and cannot employ or receive professional services for payment from that person, either directly or indirectly, including through a corporation controlled by that person.

Election of Outside Directors

Outside directors are elected by a majority vote at a shareholders' meeting, provided that either:

- the majority of shares voted at the meeting, including at least one-third of the shares of non-controlling shareholders voted at the meeting, excluding abstentions, vote in favor of the election of the outside director; or
- the total number of shares voted against the election of the outside director does not exceed one percent of the aggregate voting rights in the company.

The initial term of an outside director is three years and he or she may be reelected to additional terms of three years each by a majority vote at a shareholders' meeting, subject to the conditions described above for election of outside directors. Reelection to each additional term beyond the first extension needs to comply with the following additional conditions: (1) the audit committee and, subsequently, the board of directors confirmed that the reelection for an additional term is for the benefit of the company, taking into account the outside director's expertise and special contribution to the function of the board of directors and its committees, and (2) the general meeting of the company's shareholders, prior to its approval of the reelection of the outside director, was informed of the term previously served by him or her and of the reasons of the board of directors and audit committee for the extension of the outside director's term. Outside directors may only be removed by the same majority of shareholders as is required for their election, or by a court, as follow: (1) if the board of directors is made aware of a concern that an outside director has ceased to meet the statutory requirements for his or her appointment, or has violated his or her duty of loyalty to the company, then the board of directors is required to discuss the concern and determine whether it is justified, and if the board of directors determines that the concern is justified, to call a special general meeting of the company's shareholders, the agenda of which includes the dismissal of the outside director, and (2) at the request of a director or a shareholder of the company a court may remove an outside director from office if it determines that the outside director has ceased to meet the statutory requirements for his or her appointment, or has violated his or her duty of loyalty to the company, or (3) at the request of the company, a director, a shareholder or a creditor of the company, a court may remove an outside director from office if it determines that the outside director is unable to perform his or her duties on a regular basis, or is convicted of certain offenses set forth in the Companies Law. If the vacancy of an outside directorship causes the company to have

fewer than two outside directors, a company's board of directors is required under the Companies Law to call a special general meeting of the company's shareholders immediately to appoint a new outside director.

Each committee to which the company's board delegates power is required to include at least one outside director and our audit committee is required to include all of the outside directors.

An outside director is entitled to compensation as provided in regulations promulgated under the Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with services provided as an outside director. The regulations provide three alternatives for cash compensation to outside directors: (1) a fixed amount determined by the regulations, (2) an amount within a range contained in the regulations, or (3) an amount proportional to the amount paid to the other directors of the company, provided that such proportional amount (A) may not be lower than the compensation granted to directors of the company who are not controlling shareholders of the company and do not fill any other function in the company or in an entity that controls or is under common control with the company ("Other Directors"), and (B) may not exceed the average compensation granted to all Other Directors. An outside director is also entitled to reimbursement of expenses as set forth in the regulations. A company may also issue shares or options to an outside director, in addition to cash compensation, provided that: (A) such shares or options must be granted as part of a compensation plan for all directors, office holders and directors who are not outside directors, and (B) the amount of shares or options may not be lower than the amount of shares or options granted to any Other Director and may not exceed the average amount granted to all Other Directors. Compensation determined in any manner (other than cash compensation at the fixed amount determined by the regulations) requires the approval of a company's shareholders. All outside directors must receive identical compensation.

Nasdaq Requirements

Under the rules of the Nasdaq Global Market, a majority of directors must meet the definition of independence contained in those rules. Our board of directors has determined that all of our directors, other than Yigal Jacoby and Rami Hadar, meet the independence standards contained in the rules of the Nasdaq Global Market. We do not believe that any of these directors have a relationship that would preclude a finding of independence under these rules and, in reaching its determination, our board of directors determined that the other relationships that these directors have with us do not impair their independence.

Audit Committee

Companies Law Requirements

Under the Companies Law, the board of directors of any public company must also appoint an audit committee comprised of at least three directors including all of the outside directors, but excluding the:

- chairman of the board of directors;
- controlling shareholder or a relative of a controlling shareholder; and
- any director employed by the company or who provides services to the company on a regular basis.

Nasdaq Requirements

Under the Nasdaq Global Market rules, we are required to maintain an audit committee consisting of at least three independent directors, all of whom are financially literate and one of whom has accounting or related financial management expertise. Our audit committee members are required to meet additional independence standards, including minimum standards set forth in rules of the Securities and Exchange Commission and adopted by the Nasdaq Global Market.

Approval of Transactions with Office Holders and Controlling Shareholders

The approval of the audit committee is required to effect specified actions and transactions with office holders and controlling shareholders. The term controlling shareholder means a shareholder with the ability to

direct the activities of the company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50.0% or more of the voting rights in a company or has the right to appoint the majority of the directors of the company or its general manager. For the purpose of approving transactions with controlling shareholders, the term also includes any shareholder that holds 25.0% or more of the voting rights of the company if the company has no shareholder that owns more than 50.0% of its voting rights. For purposes of determining the holding percentage stated above, two or more shareholders who have a personal interest in a transaction that is brought for the company's approval are deemed as joint holders. The audit committee may not approve an action or a transaction with a controlling shareholder or with an office holder unless at the time of approval two outside directors are serving as members of the audit committee and at least one of them was present at the meeting at which the approval was granted.

Audit Committee Role

Our board of directors has adopted an audit committee charter setting forth the responsibilities of the audit committee consistent with the rules of the Securities and Exchange Commission and The Nasdaq Global Market rules which include:

- retaining and terminating the company's independent auditors, subject to shareholder ratification;
- pre-approval of audit and non-audit services provided by the independent auditors; and
- approval of transactions with office holders and controlling shareholders, as described above, and other related-party transactions.

Additionally, under the Companies Law, the role of the audit committee is to identify irregularities in the business management of the company in consultation with the internal auditor or the company's independent auditors and suggest an appropriate course of action to the board of directors and to approve the yearly or periodic work plan proposed by the internal auditor to the extent required. The audit committee charter states that in fulfilling this role the committee is entitled to rely on interviews and consultations with our management, our internal auditor and our independent auditor, and is not obligated to conduct any independent investigation or verification.

Our audit committee consists of our directors, Mr. Yosi Elihav, Dr. Eyal Kishon and Mr. Erel Margalit. The financial expert on the audit committee pursuant to the definition of the Securities and Exchange Commission is Mr. Elihav. Under the Companies Law, the outside directors that will be appointed within three months after our becoming a "public company" must be members of our audit committee.

Compensation and Nominating Committee

We have established a compensation and nominating committee consisting of our directors, Mr. Yossi Sela, Dr. Eyal Kishon and Mr. Shai Saul. Under the Companies Law, at least one of the outside directors to be appointed within three months after our becoming a "public company" must be a member of our compensation and nominating committee. This committee will also oversee matters related to our corporate governance practices. Our board of directors has adopted a compensation, nominating and governance committee charter setting forth the responsibilities of the committee consistent with the Nasdaq Global Market rules which include:

- determining the compensation of our Chief Executive Officer and other executive officers;
- granting options to our employees and the employees of our subsidiaries;
- recommending candidates for nomination as members of our board of directors; and
- developing and recommending to the board corporate governance guidelines and a code of business ethics and conduct in accordance with applicable laws.

Internal Auditor

Under the Companies Law, the board of directors of a public company must appoint an internal auditor nominated by the audit committee. The role of the internal auditor is, among other things, to examine whether a company's actions comply with applicable law and orderly business procedure. Under the Companies Law, the internal auditor may be an employee of the company but not an interested party or an office holder or a relative of an interested party or an office holder, nor may the internal auditor be the company's independent auditor or the representative of the same.

An interested party is defined in the Companies Law as a holder of 5.0% or more of the issued share capital or voting power in a company, any person or entity who has the right to designate one director or more or the chief executive officer of the company or any person who serves as a director or as a chief executive officer. We intend to appoint an internal auditor following the closing of this offering.

Approval of Specified Related Party Transactions Under Israeli Law

Fiduciary Duties of Office Holders

The Companies Law imposes a duty of care and a duty of loyalty on all office holders of a company.

The duty of care requires an office holder to act with the degree of care with which a reasonable office holder in the same position would have acted under the same circumstances. The duty of care includes a duty to use reasonable means to obtain:

- information on the advisability of a given action brought for his or her approval or performed by virtue of his or her position; and
- all other important information pertaining to these actions.

The duty of loyalty requires an office holder to act in good faith and for the benefit of the company, and includes the duty to:

- refrain from any conflict of interest between the performance of his or her duties in the company and his or her personal affairs;
- refrain from any activity that is competitive with the company;
- refrain from exploiting any business opportunity of the company for the purpose of gaining a personal advantage for himself or herself or others; and
- disclose to the company any information or documents relating to a company's affairs which the office holder received as a result of his or her position as an office holder.

Disclosure of Personal Interests of an Office Holder

The Companies Law requires that an office holder promptly disclose to the company any personal interest that he or she may have and all related material information or documents in his or her possession relating to any existing or proposed transaction by the company. An interested office holder's disclosure must be made no later than the first meeting of the board of directors at which the transaction is considered. An office holder is not obliged to disclose such information if the personal interest of the office holder derives solely of the personal interest of his or her relative in a transaction that is not extraordinary.

"Personal interest" is defined under the Companies Law to include a personal interest of a person in an action or in the business of a company, including the personal interest of such person's relative or the interest of any corporation in which the person is an interested party.

Under the Companies Law, an extraordinary transaction is a transaction:

- other than in the ordinary course of business;

• that is not on market terms; or

• that may have a material impact on the company's profitability, assets or liabilities.

Under the Companies Law, once an office holder has complied with the above disclosure requirement, a company may approve a transaction between the company and the office holder or a third party in which the office holder has a personal interest, or approve an action by the office holder that would otherwise be deemed a breach of duty of loyalty. However, a company may not approve a transaction or action that is adverse to the company's interest or that is not performed by the office holder in good faith. If the transaction is an extraordinary transaction, both the audit committee and the board of directors must approve the transaction. Under certain circumstances, shareholder approval may also be required. A director who has a personal interest in a matter which is considered at a meeting of the board of directors or the audit committee, may generally not be present at this meeting or vote on this matter unless a majority of the directors or members of the audit committee have a personal interest in the matter. If a majority of the directors have a personal interest in the matter, it also requires approval of the shareholders of the company.

Under the Companies Law, all arrangements as to compensation of office holders who are not directors require approval by the board of directors. An undertaking to indemnify, insure or exculpate an office holder who is not a director requires both board and audit committee approval. In general, arrangements regarding the compensation, indemnification and insurance of directors require audit committee and shareholder approval in addition to board approval.

Disclosure of Personal Interests of a Controlling Shareholder

Under the Companies Law, the disclosure requirements that apply to an office holder also apply to a controlling shareholder of a public company. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, and the terms of engagement of a controlling shareholder or a controlling shareholder's relative, whether as an office holder or an employee, require the approval of the audit committee, the board of directors and a majority of the shares voted by the shareholders of the company participating and voting on the matter in a shareholders' meeting. In addition, the shareholder approval must fulfill one of the following requirements:

• at least one-third of the shares held by shareholders who have no personal interest in the transaction and are voting at the meeting must be voted in favor of approving the transaction, excluding abstentions; or

• the shares voted by shareholders who have no personal interest in the transaction who vote against the transaction represent no more than 1.0% of the voting rights in the company.

Under the Companies Law, a shareholder has a duty to refrain from abusing its power in the company and to act in good faith and in an acceptable manner in exercising its rights and performing its obligations to the company and other shareholders, including, among other things, voting at general meetings of shareholders on the following matters:

• an amendment to the articles of association;

• an increase in the company's authorized share capital;

• a merger; and

• approval of related party transactions that require shareholder approval.

A shareholder also has a general duty to refrain from acting to the detriment of other shareholders.

In addition, any controlling shareholder, any shareholder that knows that its vote can determine the outcome of a shareholder vote and any shareholder that, under the company's articles of association, has the power to appoint or prevent the appointment of an office holder, or has another power with respect to the company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty except to state that the remedies generally available upon a breach of contract will also apply in the event of a breach of the duty to act with fairness, taking the shareholder's position in the company into account.

Exculpation, Insurance and Indemnification of Office Holders

Under the Companies Law, a company may not exculpate an office holder from liability for a breach of the duty of loyalty. However, the company may approve an act performed in breach of the duty of loyalty of an office holder provided that the office holder acted in good faith, the act or its approval does not harm the company, and the office holder discloses the nature of his or her personal interest in the act and all material facts and documents a reasonable time before discussion of the approval. An Israeli company may exculpate an office holder in advance from liability to the company, in whole or in part, for damages caused to the company as a result of a breach of duty of care but only if a provision authorizing such exculpation is inserted in its articles of association. Our articles of association include such a provision. An Israeli company may not exculpate a director for liability arising out of a prohibited dividend or distribution to shareholders.

An Israeli company may indemnify an office holder in respect of certain liabilities either in advance of an event or following an event provided a provision authorizing such indemnification is inserted in its articles of association. Our articles of association contain such an authorization. An undertaking provided in advance by an Israeli company to indemnify an office holder with respect to a financial liability imposed on him or her in favor of another person pursuant to a judgment, settlement or arbitrator's award approved by a court must be limited to events which in the opinion of the board of directors can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and such undertaking shall detail the above mentioned events and amount or criteria. In addition, a company may undertake in advance to indemnify an office holder against the following liabilities incurred for acts performed as an office holder:

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for an offense that does not require proof of criminal intent.

An Israeli company may insure an office holder against the following liabilities incurred for acts performed as an office holder if and to the extent provided in the company's articles of association:

- a breach of duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care to the company or to a third party, including a breach arising out of the negligent conduct of the office holder; and
- a financial liability imposed on the office holder in favor of a third party.

An Israeli company may not indemnify or insure an office holder against any of the following:

- a breach of duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;

• an act or omission committed with intent to derive illegal personal benefit; or

• a fine or forfeit levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders must be approved by our audit committee and our board of directors and, in respect of our directors, by our shareholders.

Our articles of association allow us to indemnify and insure our office holders to the fullest extent permitted by the Companies Law. Our office holders are currently covered by a directors and officers' liability insurance policy. As of the date of this offering, no claims for directors and officers' liability insurance have been filed under this policy and we are not aware of any pending or threatened litigation or proceeding involving any of our directors or officers in which indemnification is sought.

We have entered into agreements with each of our directors and office holders exculpating them, to the fullest extent permitted by law, from liability to us for damages caused to us as a result of a breach of duty of care, and undertaking to indemnify them to the fullest extent permitted by law, including with respect to liabilities resulting from this offering. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and the insurance is subject to our discretion depending on its availability, effectiveness and cost. The current maximum amount set forth in such agreements is the greater of (1) with respect to indemnification in connection with a public offering of our securities, the gross proceeds raised by us and/or any selling shareholder in such public offering, and (2) with respect to all permitted indemnification, including a public offering of our securities, an amount equal to 50% of the our shareholders' equity on a consolidated basis, based on our most recent financial statements made publicly available before the date on which the indemnity payment is made.

In the opinion of the U.S. Securities and Exchange Commission, however, indemnification of directors and office holders for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

Compensation of Office Holders

The aggregate compensation paid by us and our subsidiaries to our current office holders, including stock based compensation, for the year ended December 31, 2005 was $1.4 million. This amount includes approximately $0.2 million set aside or accrued to provide pension, severance, retirement or similar benefits or expenses, but does not include business travel, relocation, professional and business association due and expenses reimbursed to office holders, and other benefits commonly reimbursed or paid by companies in Israel. None of our directors has so far received any cash compensation for his or her services as a director other than reimbursement of expenses. Following the closing of this offering, we will pay an annual cash retainer and per meeting cash fee to each of our directors.

Employment and Consulting Agreements with Executive Officers

We have entered into written employment or consulting agreements with all of our executive officers. These agreements all contain provisions standard for a company in our industry regarding noncompetition, confidentiality of information and assignment of inventions. The enforceability of covenants not to compete in Israel is limited. See "Certain Relationships and Related Party Transactions — Agreements with Officers and Directors" for additional information.

Share Options Plans

We have adopted four share option plans and, as of September 30, 2006, we had 4,217,644 ordinary shares reserved for issuance under these plans, with respect to which (i) options to purchase 3,470,318 ordinary shares at a weighted average exercise price of $2.26 per share were outstanding, and (ii) options to purchase 674,122 ordinary shares were already exercised by certain of the grantees and such shares were issued by us. As of September 30, 2006, options to purchase 1,603,393 ordinary shares were vested and exercisable.

2006 Incentive Compensation Plan

We have adopted the 2006 Incentive Compensation Plan, which will become effective prior to this offering. Following the approval of the 2006 plan by the Israeli tax authorities, which we expect will be within three months of the date of this prospectus, we will only grant options or other equity incentive awards under the 2006 plan, although previously-granted options will continue to be governed by our other plans. The 2006 plan is intended to further our success by increasing the ownership interest of certain of our and our subsidiaries' employees, directors and consultants and to enhance our and our subsidiaries' ability to attract and retain employees, directors and consultants.

We may issue up to 89,732 ordinary shares remaining available for issuance and not subject to outstanding awards under our 2003 plan and 1997 plans on the date of this prospectus, upon the exercise or settlement of share options or other equity incentive awards granted under the 2006 plan. The number of ordinary shares that we may issue under the 2006 plan will increase on the first day of each fiscal year during the term of the 2006 plan, in each case in an amount equal to the lesser of (i) 1,000,000 shares, (ii) 3.5% of our outstanding ordinary shares on the last day of the immediately preceding year, or (iii) an amount determined by our board of directors. The number of shares subject to the 2006 plan is also subject to adjustment if particular capital changes affect our share capital. Ordinary shares subject to outstanding awards under the 2006 plan or our 2003 plan or 1997 plans that are subsequently forfeited or terminated for any other reason before being exercised will again be available for grant under the 2006 plan. As of the closing of this offering, no options or other awards will have been granted under the 2006 plan.

A share option is the right to purchase a specified number of ordinary shares in the future at a specified exercise price and subject to the other terms and conditions specified in the option agreement and the 2006 plan. The exercise price of each option granted under the 2006 plan will be determined by our compensation and nominating committee and for "incentive stock options" shall be equal to or greater than the fair market value of our ordinary shares at the time of grant (except for any options granted under the 2006 plan in substitution or exchange for options or awards of another company involved in a corporate transaction with us or a subsidiary, which will have an exercise price that is intended to preserve the economic value of the award that is replaced). The exercise price of any share options granted under the 2006 plan may be paid in cash, ordinary shares already owned by the option holder or any other method that may be approved by our compensation and nominating committee, such as a cashless broker-assisted exercise that complies with law.

Our compensation and nominating committee may also grant, or recommend our board of directors to grant, other forms of equity incentive awards under the 2006 plan, such as restricted share awards, share appreciation rights, restricted share units and other forms of equity-based compensation.

Israeli participants in the 2006 plan may be granted options subject to Section 102 of the Israeli Income Tax Ordinance. Section 102 of the Israeli Income Tax Ordinance, allows employees, directors and officers, who are not controlling shareholders and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options. Our non-employees service providers and controlling shareholders may only be granted options under another section of the Tax Ordinance, which does not provide for similar tax benefits. Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. The most favorable tax treatment for the grantees is under Section 102(b)(2) of the Tax Ordinance, the issuance to a trustee under the "capital gain track." However, under this track we are not allowed to deduct an expense with respect to the issuance of the options or shares. Any stock options granted under the 2006 plan to participants in the United States will be either "incentive stock options," which may be eligible for special tax treatment under the Internal Revenue Code of 1986, or options other than incentive stock options (referred to as "nonqualified stock options"), as determined by our compensation and nominating committee and stated in the option agreement.

Our compensation and nominating committee will administer the 2006 plan. Our board of directors may, subject to any legal limitations, exercise any powers or duties of the compensation and nominating committee concerning the 2006 plan. The compensation and nominating committee will select which of our and our subsidiaries' and affiliates' eligible employees, directors and/or consultants shall receive options or other

awards under the 2006 plan and will determine, or recommend to our board of directors, the number of ordinary shares covered by those options or other awards, the terms under which such options or other awards may be exercised (however, options generally may not be exercised later than 10 years from the grant date of an option) or may be settled or paid, and the other terms and conditions of such options and other awards under the 2006 plan in accordance with the provisions of the 2006 plan. Holders of options and other equity incentive awards may not transfer those awards, unless they die or, except in the case of incentive stock options, the compensation and nominating committee determines otherwise.

If we undergo a change of control, as defined in the 2006 plan, subject to any contrary law or rule, or the terms of any award agreement in effect before the change of control, (a) the compensation and nominating committee may, in its discretion, accelerate the vesting, exercisability and payment, as applicable, of outstanding options and other awards; and (b) the compensation and nominating committee, in its discretion, may adjust outstanding awards by substituting ordinary shares or other securities of any successor or another party to the change of control transaction, or cash out outstanding options and other awards, in any such case, generally based on the consideration received by our shareholders in the transaction.

Subject to particular limitations specified in the 2006 plan and under applicable law, our board of directors may amend or terminate the 2006 plan, and the compensation and nominating committee may amend awards outstanding under the 2006 plan. The 2006 plan will continue in effect until all ordinary shares available under the 2006 plan are delivered and all restrictions on those shares have lapsed, unless the 2006 plan is terminated earlier by our board of directors. No awards may be granted under the 2006 plan on or after the tenth anniversary of the date of adoption of the plan.

Allot Communications Ltd. Key Employee Share Incentive Plan (2003)

Our 2003 share option plan provides for the grant of options to our and our affiliates' employees, directors, officers, consultants, advisers and service providers. We have reserved 3,451,573 ordinary shares for issuance under the plan, including the unused reservation of our 1997 plans, as described below. This reservation may increase as a result of the expiration of unexercised options that were granted under our 1997 plans. As of September 30, 2006, there were (i) 73,204 ordinary shares available for issuance under the plan, (ii) options to purchase 3,098,538 ordinary shares were outstanding, of which 1,231,622 were vested and exercisable and (iii) options to purchase 279,831 ordinary shares were already exercised. Any shares underlying any option that terminates without exercise, including those granted under our 1997 plans, become available for future issuance under this plan. There will be no additional options granted under this plan after the earlier of approval of the 2006 plan by the Israeli tax authorities or March 12, 2013.

The terms of the plan are in compliance with Section 102 of the Israeli Income Tax Ordinance, which allows employees, directors and officers, who are not controlling shareholders and are considered Israeli residents to receive favorable tax treatment for compensation in the form of shares or options. Our non-employees service providers and controlling shareholders may only be granted options under another section of the Tax Ordinance, which does not provide for similar tax benefits.

Section 102 includes two alternatives for tax treatment involving the issuance of options or shares to a trustee for the benefit of the grantees and also includes an additional alternative for the issuance of options or shares directly to the grantee. The most favorable tax treatment for the grantees is under Section 102(b)(2) of the Tax Ordinance, the issuance to a trustee under the "capital gain track." However, under this track the company is not allowed to deduct an expense with respect to the issuance of the options or shares. We have elected to issue our options under the capital gain track and, accordingly, all options granted under this plan to Israeli residents have been granted under the capital gain track. Section 102 also provides for an income tax track, under which, among other things, the benefits to the employees would be taxed as ordinary income, we would be allowed to recognize expenses for tax purposes and the minimum holding period for the trustee will be 12 months from the end of the calendar year in which such options are granted, and if granted after January 1, 2006, 12 months after the date of grant. We will be able to change our election with respect to future grants under the plan. In addition, we will be able to make a different election under a new plan. In order to comply with the terms of the capital gain track, all options, as well as the ordinary shares issued upon

exercise of these options and other shares received subsequently following any realization of rights with respect to such options, such as stock dividends and stock splits are granted to a trustee and should be held by the trustee for the lesser of 30 months from the date of grant, or two years following the end of the tax year in which the options were granted and if granted after January 1, 2006 only two years after the date of grant. Under this plan, all options, whether or not granted pursuant to said Section 102, the ordinary shares issued upon their exercise and other shares received subsequently following any realization of rights are issued to a trustee.

The plan is administered by our board of directors which has delegated certain responsibilities to our compensation committee which is empowered to directly issue options to our and our affiliates' employees and to make recommendations to the board of directors for the issuance of options to non-employee service providers of us or our affiliates. The price per share covered by each option award is determined by the committee but may not be less than the par value of the shares. Options under the plan generally vest and become exercisable over a period of four years with 25% vesting on the first anniversary of the vesting commencement date and 6.25% vesting at the end of each subsequent three month period. More favorable vesting terms, including acceleration of vesting upon certain events, were granted to our management and certain key employees and consultants. Specifically, our standard form of option award agreement for management and certain key employees and consultants provides that all options will become fully vested immediately prior to (1) a merger with entities other than our current shareholders as a result of which we are not the surviving entity, (2) a sale of at least 80% of our share capital to entities other than our current shareholders, (3) a sale of all or substantially all of our assets or (4) a sale of more than 50% (and less than 80%) of the our share capital to entities other than our current shareholders in which the successor company (or parent or subsidiary of the successor company) does not agree to assume or substitute the options. If the successor company (or parent or subsidiary of the successor company) agrees to assume or substitute the options in a transaction described in (4) in the preceding sentence and within one year of the closing of a such sale, the option holder's employment with the successor company is terminated by the successor company without cause, or the option holder is not offered to continue to be employed by the successor company in a comparable or senior position and/or on comparable or favorable terms, then the options will become fully vested as of the date of such termination, or the date upon such change in position and/or terms would take effect, as applicable.

Certain of the options granted to Odem Rotem Holdings Ltd., a company wholly-owned and controlled by Yigal Jacoby, will accelerate upon a firmly underwritten IPO. As a result, immediately following the closing of this offering and based on the number of unvested options beneficially held by Mr. Jacoby as of the date of this prospectus, options to purchase 240,897 ordinary shares beneficially owned by Mr. Jacoby that would otherwise not be vested will vest and become exercisable. Payment for shares under an option award must be effected in cash or by a cashier's or certified check payable to us, or such other method acceptable to us. Option awards and shares purchasable under the plan and held by the trustee, whether or not fully paid, are not assignable nor transferable and may not be given as collateral by the grantee.

Generally, the terms of our options grant letters provide that any option not exercised within 10 years of the grant date expires unless extended by our board of directors. If we terminate the employment or engagement of a grantee for cause, all of the grantee's vested and unvested options expire, and we will also be entitled, at any time, to repurchase from such grantee all shares issued upon previous exercise of options granted to him or her under the plan at an exercise price determined by the compensation committee. However, the exercise price must not be lower than the exercise price paid for such shares. Under the plan, upon termination of engagement due to death, a grantee's estate is entitled, for a period of four months following the grantee's death, to exercise such rights the grantee could have exercised had he or she continued to be engaged with us during such four-month period. The plan provides that upon termination of engagement due to disability or retirement, a grantee will continue to enjoy rights under the plan on such terms as the compensation committee in its discretion may determine. As a matter of practice, the terms of our grant letters provide that in the case of grantee's disability, he or she may exercise the vested options for a period of four months following termination. Upon the termination of engagement for any other reason, a grantee may exercise his or her vested options within 30 days of the date of termination. Our senior management and

certain key employees and consultants are entitled to extended periods of exercising their options in case of termination for any reason other than cause.

In the event of our being acquired by means of merger with or into another entity, in which our outstanding shares are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring company or its subsidiary, or in the event of the sale of all or substantially all of our assets, to the extent it has not been previously exercised, each vested or unvested option will terminate immediately prior to the consummation of such transaction. The plan further provides that, in the event of our consolidation or merger with or into another corporation, the compensation committee may, in its absolute discretion and without obligation, agree that instead of termination: (i) each unexercised option, if possible, will be assumed or an equivalent option will be substituted by our successor corporation or a parent or subsidiary of our successor corporation; or (ii) we will pay to the grantee an amount equivalent to the valuation of the grantee's unexercised options on an as converted basis at that time.

Pursuant to the voting rights of the shares issued upon the exercise of the options by the grantees, the plan provides that the trustee that holds such shares shall empower the board of directors with all such voting rights and may not exercise the voting rights himself or herself, until our shares are registered for trading on a recognized stock exchange.

Allot Communications Ltd. Key Employees Share Incentive Plan and Key Employees of Subsidiaries and Consultants Share Incentive Plan (1997)

Our Key Employees Share Incentive Plan, adopted in 1997, provides for the grant of options to any of our directors, officers and employees, and our Key Employees of Subsidiaries and Consultants Share Incentive Plan, also adopted in 1997, provides for the grant of options to any of our or our subsidiaries' directors, officers, employees, or consultants. The terms of both plans are identical, except that the grant of options under the first plan was made in compliance with the provisions of Section 102 of the Tax Ordinance, as was in effect in 1997 and prior to its amendments in 2003, which allows employees who are considered Israeli residents to receive favorable tax treatment.

As of September 30, 2006, there were outstanding options to purchase 766,071 ordinary shares under the two plans, of which options to purchase 371,780 ordinary shares were vested and options to purchase 394,291 ordinary shares were already exercised for ordinary shares. We no longer grant options under these plans, and ordinary shares underlying any option granted under these plans that terminates without exercise become available for future issuance under our 2003 plan or, following its approval by the Israeli tax authorities, our 2006 plan.

The plans are administered by our compensation committee. The options granted under the plans generally vest and become exercisable over a period of five years with 40% vesting on the second anniversary of the vesting commencement date and 5% vesting at the end of each subsequent three month period or over a period of four years with 50% vesting on the second anniversary of the vesting commencement date and 6.25% vesting at the end of each subsequent three month period. Payment for shares under an option award must be effected in cash or by a cashier's or certified check payable to us, or such other method acceptable to us. Option awards and shares purchasable under the plan are not transferable by the grantee.

The plans provide that if an option has not been exercised or the shares issued following the exercise of an option have not been fully paid for before or on August 1, 2011, then the right to acquire such shares shall terminate and all interests and rights of the grantee in and to the same shall expire. The grant letters we issued provide that the options may be exercised within 10 years of the board of directors' approval of the plans, which means that unexercised options will expire in 2007, unless they are extended by our board of directors.

The plans generally provide that if we terminate a grantee's engagement for cause, all of the grantee's vested and unvested options expire upon notice of such termination. Upon termination of engagement due to death, a grantee's estate is entitled, for a period of three months following the grantee's death, to exercise such rights the grantee could have exercised during or at the end of such three month period had he or she survived and continued his or her engagement with the company. According to the plans, in the event of disability or

retirement, a grantee will continue to enjoy rights under the plans on terms determined by the compensation committee. Generally, if a grantee should otherwise cease working for us, all of his or her unexercised option awards will terminate two weeks after the notice of termination or resignation. In the event of a merger, consolidation, reorganization, recapitalization or similar transaction in which our ordinary shares are exchanged for other securities of the company or of another corporation, each grantee will be entitled to purchase the number of shares or other securities as were exchangeable for the number of our ordinary shares which the grantee would have been entitled to purchase except for the transaction.

The plans provide that the voting rights vested in any share held by the trustee pursuant to the plans cannot be exercised by the trustee, except in cases when, at his discretion and after consulting with the compensation committee, the trustee believes that the rights should be exercised for the protection of the grantees as a minority among our shareholders.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Our policy is to enter into transactions with related parties on terms that, on the whole, are no more favorable, or no less favorable, than those available from unaffiliated third parties. Based on our experience in the business sectors in which we operate and the terms of our transactions with unaffiliated third parties, we believe that all of the transactions described below met this policy standard at the time they occurred.

Financing Transactions

Original Rounds of Financing. Since our founding, we have raised capital through multiple rounds of financing. Between 1997 and 2002, we raised capital through sales of our Series A ordinary shares and Series A, B, C and C-1 preferred shares. In 2002, in connection with the sale of our Series B preferred shares, a portion of our Series C preferred shares and all of our Series C-1 preferred shares were converted into Series B preferred shares and, in addition, such sale triggered an anti-dilution adjustment to the Series C preferred shares, increasing the number of ordinary shares resulting from conversion of the Series C preferred shares from 204,328, assuming a one-to-one conversion, to 223,804. Subsequently, we raised additional capital though our Series D and Series E financings as more fully described below.

Series D Financing. In 2004, we sold Series D preferred shares, convertible into 1,785,961 ordinary shares, at a price per underlying ordinary share of $4.49538 for an aggregate investment of $8.0 million. The issuance of the Series D preferred shares triggered an anti-dilution adjustment to the Series C preferred shares, increasing the number of ordinary shares resulting from conversion of the Series C preferred shares to 242,178. Each Series D preferred share will convert into one ordinary share upon the closing of this offering and additional ordinary shares will be issued to reflect the share dividend to be effected prior to the closing of this offering. The following table sets forth the number of ordinary shares resulting from conversion at the closing of this offering of the Series D preferred shares purchased by entities which, as of the date of this prospectus, beneficially own more than 5.0% of our ordinary shares assuming the conversion of all of outstanding preferred shares:

	Aggregate Purchase Price	Number of Ordinary Shares Resulting from the Conversion of Series D Preferred Shares
Entities affiliated with the Gemini Group	$ 1,681,025	373,950
Entities affiliated with Tamir Fishman Group	1,000,000	222,454
Entities affiliated with Partech International Group	5,000,000	1,112,258

Series E Financing. In 2006, we sold Series E preferred shares convertible into 1,028,517 ordinary shares, at a purchase price per underlying ordinary share of $5.34758 in consideration for an aggregate investment of $5.5 million. The issuance of the Series E preferred shares triggered an anti-dilution adjustment to the Series C preferred shares, increasing the number of ordinary shares resulting from a conversion of the Series C shares to 250,329. Each Series E preferred share will convert into one ordinary share upon the closing of this offering and additional ordinary shares will be issued to reflect the share dividend to be effected prior to the closing of this offering. The following table sets forth the number of ordinary shares resulting from conversion at the closing of this offering of the Series E preferred shares purchased by entities which, as of the date of this prospectus, beneficially own more than 5.0% of our outstanding ordinary shares assuming the conversion of all of outstanding preferred shares:

	Aggregate Purchase Price	Number of Ordinary Shares Resulting from the Conversion of Series E Preferred Shares
Entities affiliated with Tamir Fishman Group	$ 1,800,000	336,610
Entities affiliated with Partech International Group	900,000	168,304
Entities affiliated with Jerusalem Venture Partners	2,500,000	467,503

Series C Preferred Anti-dilution Protection

Our articles of association provide that if the price per share at which our ordinary shares are sold in an initial public offering, when multiplied by the number of ordinary shares resulting from conversion of Series C preferred shares, will not yield to the holders of the Series C preferred shares an amount equal to at least three times the price paid to us for the issuance of all Series C preferred shares, then upon the conversion of the Series C preferred shares into ordinary shares in such initial public offering, additional ordinary shares will be issued to the holders of the Series C preferred shares in accordance with the formula stated in our articles of association. Currently, an initial public offering price which is lower than $33.92 per share will entitle the holders of Series C preferred shares to be issued additional ordinary shares. Accordingly, upon the conversion of the Series C preferred shares into ordinary shares in connection with this offering, and assuming an initial public offering price of $10.00 per share, the midpoint of the estimated initial offering price range for pricing, the holders of the Series C preferred shares will be issued 229,126 ordinary shares in excess of the number of ordinary shares they would have received had such conversion taken place prior to this offering. In addition to this amount, the holders of the Series C preferred shares will also be entitled to receive upon conversion an additional 46,001 ordinary shares in respect of an anti-dilution adjustment arising out of prior financings.

The following table sets forth the number of ordinary shares resulting from the conversion of the Series C preferred shares that are held by entities which, as of the date of this prospectus, beneficially own more than 5.0% of our ordinary shares assuming the conversion of all of outstanding preferred shares into ordinary shares:

	Number of Ordinary Shares Resulting from the Assumed Conversion of Series C Preferred Shares Prior to this Offering	Number of Ordinary Shares Resulting from the Conversion of Series C Preferred Shares Upon the Closing of this Offering
Entities affiliated with Tamir Fishman Group	87,239	167,089
Entities affiliated with Jerusalem Venture Partners	56,943	109,063

Rights of Appointment

Our current board of directors consists of seven directors. Under our articles of association in effect prior to this offering, a majority of the holders of our ordinary shares are entitled to elect three members of our board of directors and each of Jerusalem Venture Partners, Partech International Group, The Gemini Group, The Tamir Fishman Group and The Genesis Group, each a beneficial owner of greater than 5.0% of our ordinary shares, are currently entitled to appoint one director. Our Chief Executive Officer, Rami Hadar, serves as a director, *ex-officio.*

In addition, NJI Investment Fund Ltd., a holder of our Series B preferred shares, BancBoston Investments, Inc., a holder of our Series B, C and D preferred shares and Tamar Technology Investors (Delaware) LP together with Tamar Technology Investors (Israel) LP, holders of our ordinary shares and Series B preferred shares are currently each entitled to appoint an observer to attend meetings of our board of directors. All rights to appoint directors and observers will terminate upon the closing of this offering, although currently-serving directors that were appointed prior to this offering will continue to serve pursuant to their appointment until the annual meeting of shareholders at which the term of their class of director expires.

We are not a party to, and are not aware of, any voting agreements among our shareholders.

Registration Rights

We have entered into an amended and restated investors rights agreement with certain of our shareholders, pursuant to which 10,969,745 ordinary shares resulting from conversion of our issued and outstanding preferred shares are entitled to certain registration rights as described below. This amount does not include

shares issuable upon the exercise of options and warrants, which are also entitled to registration rights as described under "— Registration Rights — Certain Options and Warrants." In accordance with such agreement, the following entities which, as of the date of this prospectus, beneficially own more than 5.0% of our ordinary shares assuming the conversion of all of outstanding preferred shares, are entitled to registration rights: the Tamir Fishman Group; the Gemini Group; the Genesis Group; the Partech International Group; and Jerusalem Venture Partners and our Chairman, Yigal Jacoby, and Odem Rotem Holdings, a company wholly-owned and controlled by Mr. Jacoby.

Demand registration rights. We are required to file a registration statement in respect of ordinary shares held by our former preferred shareholders as follows:

- two registrations at the request of one or more of our shareholders holding ordinary shares representing in the aggregate a majority of ordinary shares resulting from conversion of our Series A preferred shares, Series B preferred shares (the "B Registrable Securities") and Series C preferred shares and all ordinary shares issued in respect of such shares;
- one registration (a "Preferred D Demand") at the request of one of more of our shareholders holding ordinary shares representing in the aggregate a majority of ordinary shares resulting from conversion of our Series D preferred shares (the "D Registrable Securities") and all ordinary shares issued in respect of such shares; and
- one registration (a "Preferred E Demand") at the request of one of more of our shareholders holding ordinary shares representing in the aggregate a majority of ordinary shares resulting from conversion of our Series E preferred shares (the "E Registrable Securities") and all ordinary shares issued in respect of such shares,

provided that (1) the aggregate proceeds from any such registration are estimated in good faith to be in excess of $5.0 million and (2) we are not required to effect a registration within 180 days after the effective date of the registration statement of which this prospectus forms a part or a registration statement for any subsequent offering.

Following a request to effect a registration by our shareholders as described above, we are required to offer the other shareholders that are entitled to registration rights an opportunity to include their shares in the registration statement. In the event that the managing underwriter advises the registering shareholders in writing that marketing factors require a limitation on the number of shares that can be included in the registration statement:

- if the registration statement is being filed pursuant to a Preferred E Demand, the shares will be included in the registration statement in the following order of preference: first, the E Registrable Securities, second, the D Registrable Securities up to 30% of the aggregate number of shares included in the registration statement, third, registrable securities that are not E Registrable Securities or D Registrable Securities, fourth, to any shares that we wish to include for our own account, and fifth, any of our other securities; and
- if the registration statement is not being filed pursuant to a Preferred E Demand, the shares will be included in the registration statement in the following order of preference: first, the D registrable securities up to 30% of the aggregate number of shares included in the registration statement, second, registrable securities that are not D Registrable Securities, including E Registrable Securities up to 10% of the aggregate number of shares included in the registration statement, third, securities that we wish to include for our own account, and fourth, any of our other securities.

Registration on Form F-3 or S-3. After we become eligible under applicable securities laws to file a registration statement on Form F-3 or Form S-3, as applicable, which will not be until at least 12 months after the date of this prospectus, shareholders holding registrable securities may request that we register such registrable securities on Form F-3 or Form S-3, as applicable, provided that each such registration generates proceeds of at least $2.0 million. This right may be exercised up to twice in any twelve-month period. We are required to give notice of any such request to the other holders of registrable securities and offer them an

opportunity to include their shares in the registration statement. In the event that the managing underwriter advises in writing that marketing factors require a limitation on the number of shares that can be included in the registration statement, the shares will be included in the registration statement in the following order of preference: first, the E Registrable Securities up to 30% of the aggregate number of shares included in the registration statement, second the D Registrable Securities up to 30% of the aggregate number of shares included in the registration statement, third, registrable securities which are not D Registrable Securities or E Registrable Securities, fourth, securities that we wish to include for our own account, and fifth, any of our other securities.

Piggyback registration rights. Following this offering, shareholders holding registrable securities will also have the right to request that we include their registrable securities in any registration statements filed by us in the future for the purposes of a public offering, subject to specified exceptions. In the event that the managing underwriter advises in writing that marketing factors require a limitation on the number of shares that can be included in the registration statement, the shares will be included in the registration statement in the following order of preference: first, the shares that we wish to include for our own account, second, the E Registrable Securities up to 30% of the aggregate number of shares included in the registration statement, third the D Registrable Securities up to 30% of the aggregate number of shares included in the registration statement, fourth, registerable securities which are not D Registrable Securities or E Registrable Securities, and fifth, any of our other securities.

Termination. All registration rights granted to holders of registrable securities terminate on the fifth anniversary of the closing of this offering and, with respect to any of our holders of registrable securities, when the shares held by such shareholder can be sold within a 90-day period under Rule 144.

Expenses. We will pay all expenses in carrying out the above registrations.

Certain options and warrants. We have also granted the following registration rights to holders of certain warrants and options to purchase our preferred shares:

- 171,782 ordinary shares issuable upon the non-cashless exercise of warrants granted to an Israeli bank are entitled to the same registration rights as the B Registrable Securities, subject to first cutback as to the B Registrable Securities. An aggregate of 67,069 ordinary shares will be issued pursuant to the partial cashless exercise of these warrants upon the closing of this offering.
- 229,047 ordinary shares issuable upon the non-cashless exercise of warrants granted to an affiliate of another Israeli bank are entitled to notice of and inclusion in any registration statement that we file following this offering. An aggregate of 93,154 ordinary shares will be issued pursuant to the cashless exercise of one of these warrants, upon the closing of this offering. This right terminates with respect to 143,154 of such shares if they can be sold within a 180-day period under Rule 144.
- 14,094 ordinary shares issuable upon the exercise of an option to purchase Series B preferred shares held by our founder and Chairman, Yigal Jacoby, are entitled to the same registration rights as the B Registrable Securities. Mr. Jacoby has agreed to exercise this option upon the closing of this offering.
- 246,479 ordinary shares that have been issued, but are held in trust for the benefit of Mr. Jacoby pending his payment of the purchase price of such shares, will be entitled, upon the payment of the purchase price, to the same registration rights as the Series A preferred shares.

Agreements with Directors and Officers

Employment of Yigal Jacoby. In October 2006, we entered into an agreement with Mr. Jacoby governing the terms of his employment with us for the provision of management and guidance services with regard to our strategy, long term vision and key objectives. Under the terms of the agreement, Mr. Jacoby is required to devote 75% of his time to his position with us. The agreement contains standard employment provisions, including provisions relating to confidentiality and assignment of inventions. We may terminate Mr. Jacoby's employment on 30 days' prior notice, or we may terminate Mr. Jacoby's employment without notice if we give him 30 days' pay in lieu of notice.

Prior to his transition to a direct employment relationship, Mr. Jacoby provided substantially identical services to us pursuant to a consulting agreement, dated December 2001. Under the agreement, Odem Rotem Holdings was solely responsible for the direct compensation and reimbursement of Mr. Jacoby. The agreement was terminated in October 2006. The agreement contained standard confidentiality provisions that survived the agreement's termination.

In August 2004 we entered into a non-competition agreement with Mr. Jacoby and Odem Rotem Holdings. Under this agreement, Mr. Jacoby and Odem Rotem Holdings are prohibited during the term of Mr. Jacoby's engagement with us and for a period of 12 months thereafter from directly or indirectly competing with our products or services or directly or indirectly soliciting our employees or consultants to engage in business which competes with our products or services. The non-competition agreement does, however, permit Mr. Jacoby, if he becomes an executive of a venture capital fund in the future to serve as a director of the venture capital fund's portfolio companies. Further, any employment or solicitation of our employees or consultants or solicitation of business opportunities by a company in which Odem Rotem Holdings or Mr. Jacoby are a director or shareholders are not be deemed, by itself, to violate the non-competition agreement so long as neither Odem Rotem Holdings nor Mr. Jacoby were actively involved in such employment or solicitation.

Escrow Agreement with Yigal Jacoby. A right to purchase Series A preferred shares which are convertible into 246,479 ordinary shares was granted to Mr. Jacoby in connection with our Series A financing. The underlying Series A preferred shares are issued, but are held in trust for the benefit of the Mr. Jacoby pursuant to an escrow agreement entered into on January 28, 1998, amended on October 26, 2006, by and among the Company, Mr. Jacoby and an escrow agent. Pursuant to the terms of this agreement, the escrow agent is holding such shares for which Mr. Jacoby has paid nominal value. While these shares are held in trust, neither Mr. Jacoby nor the trustee has voting or economic rights with respect to such shares. Mr. Jacoby may exercise his right to purchase the shares in trust, in whole or in part, by paying any portion of the full $600,000 purchase price (less $475 previously paid in respect of the nominal value of the shares) for the respective portion of the underlying Series A preferred shares. Following an initial public offering or a liquidity event, Mr. Jacoby will have the right to pay any portion of the purchase price for the respective portion of shares by "net payment" of his right to purchase. Mr. Jacoby's right to purchase expires upon the earlier of (1) two years following the closing of this offering, or (2) upon the consummation of a liquidity event. See Note 9d(1) to our consolidated financial statements for additional information.

Consulting Agreement with Hess MarkITing Ltd. In June 2005, we entered into a consulting agreement with Hess MarkITing Ltd., as consultant, for consulting services to be determined. All of the consulting service provided by the consultant will be provided through Sharon Hess, our Vice President — Marketing and the founder and owner of Hess MarkITing Ltd. The agreement contains a non-compete provision prohibiting the consultant from directly or indirectly having any connection with a business or venture that competes with us. Under the agreement, we have promised to pay Hess MarkITing a monthly consulting fee, provide use of one of our company cars and grant stock options to purchase our ordinary shares to Ms. Hess. Such monthly consulting fee is recorded as a sales and marketing expense. This agreement renews automatically at the end of each one year term, but may be terminated by either party on 90 days' prior written notice.

Technical Training Services Agreement with Experteam. We have received technical writing services from Experteam Ltd., a company owned and controlled by the wife of our Chairman, Yigal Jacoby. We began using Experteam in 2004 and our payments to Experteam were $17,000 in 2004, $14,000 in 2005 and $72,000 in the nine months ended September 30, 2006.

Employment Agreements. We have entered into employment agreements with each of our officers who work for us as employees. See "Management — Employment Agreements."

Exculpation, Indemnification and Insurance. Our articles of association permit us to exculpate, indemnify and insure our office holders to the fullest extent permitted by the Companies Law. We have entered into agreements with each of our office holders, exculpating them from a breach of their duty of care to us to the fullest extent permitted by law and undertaking to indemnify them to the fullest extent permitted by law, including with respect to liabilities resulting from this offering to the extent that these liabilities are not covered by insurance. See "Management — Exculpation, Insurance and Indemnification of Directors and Officers."

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our outstanding ordinary shares as of the date of this prospectus, as adjusted to reflect the sale of the ordinary shares in this offering:

- each person who we know beneficially owns 5.0% or more of the outstanding ordinary shares;
- each of our directors individually;
- each of our executive officers individually; and
- all of our directors and executive officers as a group.

Beneficial ownership of shares is determined under rules of the Securities and Exchange Commission and generally includes any shares over which a person exercises sole or shared voting or investment power. The information set forth in the table below gives effect to the conversion of all preferred shares and Series A ordinary shares into ordinary shares, including preferred shares issuable upon the closing of this offering upon the exercise of warrants, options or rights that are subject to irrevocable notices of exercise. The table also includes the number of ordinary shares underlying warrants, options or rights that are exercisable within 60 days of the date of this offering. Ordinary shares subject to these warrants, options or rights are deemed to be outstanding for the purpose of computing the ownership percentage of the person beneficially holding these warrants, options or rights, but are not deemed to be outstanding for the purpose of computing the ownership percentage of any other person. The table assumes 13,900,997 ordinary shares outstanding as of the date of this prospectus (excluding 246,479 shares held in trust for Mr. Jacoby) and 20,914,233 ordinary shares outstanding upon the completion of this offering. The “After Offering” columns also include additional ordinary shares issuable upon the closing of the offering based on the midpoint of the estimated initial public offering price range pursuant to anti-dilution adjustments to our Series C preferred shares.

As of the date of this prospectus, we are aware of 13 U.S. persons that are holders of record of our ordinary shares holding an aggregate of 4,600,184 shares.

Unless otherwise noted below, each shareholder’s address is c/o Allot Communications Ltd., 22 Hanagar Street, Neve Ne’eman Industrial Zone B, Hod-Hasharon 45240, Israel.

Name and Address	Number of Shares Beneficially Owned		Percentage of Shares Beneficially Owned		Percentage of Shares Owned Assuming Exercise of Option to Purchase Additional Ordinary Shares
	Before Offering	After Offering	Before Offering	After Offering	
Principal shareholders:					
Tamir Fishman Group(1)	2,265,208	2,345,058	16.3%	11.2%	10.7%
Gemini Group(2)	2,211,679	2,211,679	15.9	10.6	10.1
Genesis Partners(3)	2,028,510	2,028,510	14.6	9.7	9.3
Yigal Jacoby(4)	1,858,707	1,858,707	12.5	8.5	8.1
Partech International Group(5)	1,280,562	1,280,562	9.2	6.1	5.9
Jerusalem Venture Partners(6)	1,017,299	1,069,419	7.3	5.1	4.9
Directors and executive officers:					
Rami Hadar	—	—	—	—	—
Amir Weinstein	*	*	*	*	*
Anat Shenig	*	*	*	*	*
Azi Ronen	*	*	*	*	*
Michael Shurman(7)	236,058	236,058	1.7	1.1	1.1
Larry Schmidt	*	*	*	*	*
Menashe Mukhtar	*	*	*	*	*
Sharon Hess	*	*	*	*	*
Ramy Moriah	*	*	*	*	*
Adi Sapir	*	*	*	*	*
Pini Gvili	*	*	*	*	*
Shai Saul(8)	2,265,208	2,345,058	16.3	11.2	10.7
Yossi Sela(9)	2,211,679	2,211,679	15.9	10.6	10.1
Eyal Kishon(10)	2,028,510	2,028,510	14.6	9.7	9.3
Erel Margalit(11)	1,017,299	1,069,419	7.3	5.1	4.9
Yosi Elihav	480,038	480,038	3.5	2.3	2.2
All directors and executive officers as a group	10,576,866	10,708,836	68.9%	47.9%	45.9%

* Less than 1.0%

(1) Prior to the offering consists of 1,131,794 shares held by Tamir Fishman Ventures II L.P., 781,962 shares held by Tamir Fishman Venture Capital II Ltd., 151,472 shares held by Tamir Fishman Ventures II (Israel) L.P., 133,888 shares held by Tamir Fishman Ventures II (Cayman Islands) L.P., 53,481 shares held by Tamir Fishman Ventures II CEO Funds (U.S.) L.P. and 12,611 shares held by Tamir Fishman Ventures II CEO Funds L.P. Assuming that the initial public offering price of our shares is within the estimated range set forth on the cover of this prospectus, the number of shares beneficially owned after this offering by foregoing entities could range from 2,337,706 shares to 2,354,069 shares as a result of the anti-dilution rights of Series C preferred shareholders. Tamir Fishman Ventures II, LLC is the sole general partner of each of the foregoing limited partnerships and has management rights over the shares held by Tamir Fishman Venture Capital II Ltd. by virtue of a management agreement with Tamir Fishman Ventures II, LLC. The managing members of Tamir Fishman Ventures II, LLC are Shai Saul, Michael Elias and Tamir Fishman & Co. Ltd. Eldad Tamir and Danny Fishman are Co-Presidents and Co-Chief Executive Officers of Tamir Fishman & Co. Ltd. and, by virtue of their positions, may be deemed to be beneficial owners of the securities held thereby. Each of the foregoing entities and individuals disclaims beneficial ownership of these securities except to the extent of its or his pecuniary

interest therein. The address of the Tamir Fishman entities and the foregoing individuals is 21 Haarbaa, Tel Aviv 64739 Israel.

(2) Consists of 1,143,448 shares held by Gemini Israel II L.P., 897,119 shares held by Gemini Israel II Parallel Fund L.P., 145,760 shares held by Advent PGGM Gemini L.P. and 25,352 shares held by Gemini Partner Investors L.P. Yossi Sela is a managing partner and a shareholder of Gemini Israel Funds Ltd., the sole general partner or the sole general partner of the general partner of Gemini Israel II L.P., Gemini Israel II Parallel Fund L.P., Advent PGGM Gemini L.P., Gemini Partner Investors L.P., Gemini Israel III L.P. and Gemini Israel III Parallel Fund L.P. The board of directors of Gemini Israel Funds Ltd. has sole investment control with respect to these entities and is comprised of Steve Kahn, Amram Rasiel, Dr. A.I. (Ed) Mlavsky, Yossi Sela and David Cohen. These individuals share voting power over the shares and held by the Gemini entities and may be deemed to be the beneficial owners of the securities held thereby. Each individual disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein. The address of the Gemini entities and the foregoing individuals is 9 HaMenofim Street, Herzliya Pituach 46725, Israel.

(3) Consists of 1,312,770 shares held by Genesis Partners I L.P. and 715,740 shares held by Genesis Partners (Cayman) L.P. Eddy Shalev and Dr. Eyal Kishon are the directors of E. Shalev Management Ltd., a general partner of these funds. These individuals each have voting, investment and dispositive power with respect to the shares held by the Genesis entities and may be deemed to be beneficial owners of the securities held thereby. Each individual disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein. The address of the Genesis entities and the foregoing individuals is 11 HaMenofim Street, Herzliya Pituach 46725, Israel.

(4) Consists of 895,410 shares held by Odem Rotem Holdings Ltd., a company wholly-owned and controlled by Yigal Jacoby, and an option to purchase 481,794 shares held by Odem Rotem Holdings. Also consists of options held directly by Mr. Jacoby to purchase 235,024 shares and a right held by Mr. Jacoby to purchase 246,479 shares currently held by a trustee. See “Certain Relationships and Related Party Transactions — Agreements with Directors and Officers — Escrow Agreement with Yigal Jacoby.”

(5) Consists of 469,537 shares held by Partech International Growth Capital I LLC, 533,565 shares held by Partech International Growth Capital III LLC, 224,098 shares held by AXA Growth Capital II L.P., 32,016 shares held by Double Black Diamond II LLC and 21,346 shares held by Multinvest LLC. 46th Parallel, LLC is the managing member of each of Partech International Growth Capital I, LLC and Partech International Growth Capital III, LLC. 48th Parallel, LLC is the general partner of AXA Growth Capital II L.P. ParVenture Japan Managers, LLC is the managing member of Multinvest, LLC. Thomas G. McKinley and Vincent Worms are the managing members of Double Black Diamond II, LLC. PAR SF, LLC is the managing member of each of 46th Parallel, LLC and 48th Parallel, LLC. Vincent Worms and Vendome Capital, LLC are the managing members of each of PAR SF, LLC and ParVenture Japan Managers, LLC. Thomas G. McKinley is the managing member of Vendome Capital, LLC. Thomas G. McKinley and Vincent Worms share voting power over the shares held by the Partech International Group and may be deemed to be the beneficial owners of the securities held thereby. Each individual disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein. The address of the Partech International entities and the foregoing individuals is 50 California Street, Suite 3200, San Francisco, California.

(6) Prior to the offering consists of 976,798 shares held by Jerusalem Venture Partners IV L.P., 23,504 shares held by Jerusalem Venture Partners IV (Israel) L.P., 8,752 shares held by Jerusalem Venture Partners Entrepreneurs Fund IV L.P. and 8,245 shares held by Jerusalem Venture Partners IV-A L.P. Assuming that the initial public offering price of our shares is within the estimated range set forth on the cover of this prospectus, the number of shares beneficially owned after this offering by foregoing entities could range from 1,064,620 shares to 1,075,301 shares as a result of the anti-dilution rights of our Series C preferred shareholders. Jerusalem Partners IV, L.P. is the general partner of Jerusalem Venture Partners IV, L.P., Jerusalem Venture Partners IV-A, L.P. and Jerusalem Venture Partners Entrepreneurs Fund IV, L.P. Jerusalem Partners IV-Venture Capital, L.P. serves as the general partner of Jerusalem Venture Partners IV (Israel), L.P. JVP Corp. IV is the general partner of Jerusalem Partners IV, L.P. and Jerusalem Partners IV-Venture Capital, L.P. Erel Margalit is an officer of JVP Corp. IV and, by virtue of his position, may be

deemed to be the beneficial owner of the securities held thereby. Mr. Margalit disclaims beneficial ownership of these securities except to the extent of his pecuniary interest therein. The address of the Jerusalem Venture Partners entities and the foregoing individuals is 7 West 22nd St., 7th Floor, New York, NY 10010.

(7) Consists of 221,556 shares and options to purchase 14,502 shares.

(8) Prior to the offering consists of 2,265,208 shares and following the offering consists of 2,345,058 shares held by the Tamir Fishman Group. Shai Saul is a managing partner of Tamir Fishman and, by virtue of his position, may be deemed to have voting and investment power, and thus beneficial ownership, with respect to the shares held by the Tamir Fishman Group. Mr. Saul disclaims such beneficial ownership except to the extent of his pecuniary interest therein.

(9) Consists of 2,211,679 shares held by the Gemini Group. Mr. Sela is a managing partner of Gemini Israel Funds and, by virtue of his position, may be deemed to have voting and investment power, and thus beneficial ownership, with respect to the shares held by the Gemini Group. Mr. Sela disclaims such beneficial ownership except to the extent of his pecuniary interest therein.

(10) Consists of 2,028,510 shares held by the Genesis Group. Eyal Kishon is a managing partner of Genesis Partners and, by virtue of his position, may be deemed to have voting and investment power, and thus beneficial ownership, with respect to the shares held by the Genesis Group. Mr. Kishon disclaims such beneficial ownership except to the extent of his pecuniary interest therein.

(11) Prior to the offering consists of 1,017,299 shares and following the offering consists of 1,069,419 shares held by Jerusalem Venture Partners. Erel Margalit is a managing general partner and, by virtue of his position, may be deemed to have voting and investment power, and thus beneficial ownership, with respect to the shares held by Jerusalem Venture Partners. Mr. Margalit disclaims such beneficial ownership except to the extent of his pecuniary interest therein.

DESCRIPTION OF SHARE CAPITAL

As of the date of this prospectus, our authorized share capital consists of 194,628,607 ordinary shares, 268,761 Series A ordinary shares and 5,102,632 preferred shares, each with a par value of NIS 0.10 per share. Upon the closing of this offering, all of our outstanding Series A ordinary shares and preferred shares, will automatically convert into ordinary shares. Upon the closing of this offering, our authorized share capital will consist of 200,000,000 ordinary shares, of which 20,914,233 will be issued and outstanding.

Our ordinary shares are not redeemable and following the closing of this offering will not have preemptive rights. The ownership or voting of ordinary shares by non-residents of Israel is not restricted in any way by our memorandum of association, our articles of association or the laws of the State of Israel, except that citizens of countries which are in a state of war with Israel may not be recognized as owners of ordinary shares.

Our current articles will be replaced by new articles of association to be effective upon the closing of this offering and which are attached as an exhibit to the registration statement of which this prospectus forms part. The description below reflects the terms of the new articles of association to be effective upon the closing of this offering.

Voting

Holders of our ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders at a shareholder meeting. Shareholders may vote at shareholder meeting either in person, proxy or by written ballot. Israeli law does not provide for public companies such as us to have shareholder resolutions adopted by means of a written consent in lieu of a shareholder meeting. Shareholder voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. The Companies Law provides that a shareholder, in exercising his or her rights and performing his or her obligations toward the company and its other shareholders, must act in good faith and in an acceptable manner, and avoid abusing his or her powers. This is required when voting at general meetings on matters such as amendments to the articles of association, increasing the company's authorized capital, mergers and approval of related party transactions that require shareholder approval. A shareholder also has a general duty to refrain from depriving any other shareholder of their rights as a shareholder. In addition, any controlling shareholder, any shareholder who knows that its vote can determine the outcome of a shareholder vote and any shareholder who, under a company's articles of association, can appoint or prevent the appointment of an office holder or has other power with respect to the company, is under a duty to act with fairness towards the company. The Companies Law does not describe the substance of this duty, except to state that the remedies generally available upon a breach of contract will apply also in the event of a breach of the duty to act with fairness, taking the shareholder's position in a company into account.

Transfer of Shares

Fully paid ordinary shares are issued in registered form and may be freely transferred under our articles of association unless the transfer is restricted or prohibited by another instrument, Israeli law or the rules of a stock exchange on which the shares are traded.

Election of Directors

Our ordinary shares do not have cumulative voting rights for the election of directors. Rather, under our articles of association our directors are elected by the holders of a simple majority of our ordinary shares at a general shareholder meeting. As a result, the holders of our ordinary shares that represent more than 50.0% of the voting power represented at a shareholder meeting have the power to elect any or all of our directors whose positions are being filled at that meeting, subject to the special approval requirements for outside directors described under "Management — Outside Directors."

Dividend and Liquidation Rights

Under the Companies Law, shareholder approval is not required for the declaration of a dividend, unless the company's articles of association provide otherwise. Our articles of association provide that our board of directors may declare and distribute a dividend to be paid to the holders of ordinary shares without shareholder approval in proportion to the paid up capital attributable to the shares that they hold. Dividends may only be paid out of profits legally available for distribution, as defined in the Companies Law, provided that there is no reasonable concern that a payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due. If we do not have profits legally available for distribution, we may seek the approval of the court to distribute a dividend. The court may approve our request if it is convinced that there is no reasonable concern that a payment of a dividend will prevent us from satisfying our existing and foreseeable obligations as they become due.

In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of ordinary shares in proportion to the paid up capital attributable to the shares that they hold. Dividend and liquidation rights may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future.

Shareholder Meetings

We are required to convene an annual general meeting of our shareholders once every calendar year within a period of not more than 15 months following the preceding annual general meeting. Our board of directors may convene a special general meeting of our shareholders and is required to do so at the request of two directors or one quarter of the members of our board of directors or at the request of one or more holders of 5.0% or more of our share capital and 1.0% of our voting power or the holder or holders of 5.0% or more of our voting power. All shareholder meetings require prior notice of at least 21 days. The chairperson of our board of directors, or any other person appointed by the board of directors, presides over our general meetings. In the absence of the chairperson of the board of directors or such other person, one of the members of the board designated by a majority of the directors presides over the meeting. If no director is designated to preside as chairperson, then the shareholders present will choose one of the shareholders present to be chairperson. Subject to the provisions of the Companies Law and the regulations promulgated thereunder, shareholders entitled to participate and vote at general meetings are the shareholders of record on a date to be decided by the board of directors, which may be between four and 40 days prior to the date of the meeting.

Quorum

The quorum required for a meeting of shareholders consists of at least two shareholders present in person, by proxy or by written ballot, who hold or represent between them at least 25% of our voting power. A meeting adjourned for lack of a quorum generally is adjourned to the same day in the following week at the same time and place or any time and place as the directors designate in a notice to the shareholders. At the reconvened meeting, the required quorum consists of at least two shareholders present, in person, by proxy or by written ballot, who hold or represent between them at least 10% of our voting power, provided that if the meeting was initially called pursuant to a request by our shareholders, then the quorum required must include at least the number of shareholders entitled to call the meeting. See "— Shareholder Meetings."

Resolutions

An ordinary resolution requires approval by the holders of a simple majority of the voting rights represented at the meeting, in person, by proxy or by written ballot, and voting on the resolution.

Under the Companies Law, unless otherwise provided in the articles of association or applicable law, all resolutions of the shareholders require a simple majority. A resolution for the voluntary winding up of the company requires the approval by holders of 75.0% of the voting rights represented at the meeting, in person, by proxy or by written ballot and voting on the resolution. Under our articles of association (1) certain shareholders' resolutions require the approval of a special majority of the holders of at least 75.0% of the voting rights represented at the meeting, in person, by proxy or by written ballot and voting on the resolution,

and (2) certain shareholders' resolutions require the approval of a special majority of the holders of at least two-thirds of the voting securities of the company then outstanding.

Access to Corporate Records

Under the Companies Law, all shareholders generally have the right to review minutes of our general meetings, our shareholder register, including with respect to material shareholders, our articles of association, our financial statements and any document we are required by law to file publicly with the Israeli Companies Registrar. Any shareholder who specifies the purpose of its request may request to review any document in our possession that relates to any action or transaction with a related party which requires shareholder approval under the Companies Law. We may deny a request to review a document if we determine that the request was not made in good faith, that the document contains a commercial secret or a patent or that the document's disclosure may otherwise impair our interests.

Registration Rights

For a discussion of registration rights we have granted to shareholders, please see the section of this prospectus entitled "Certain Relationships and Related Party Transactions — Registration Rights."

Acquisitions under Israeli Law

Full Tender Offer. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90.0% of the target company's issued and outstanding share capital is required by the Companies Law to make a tender offer to all of the company's shareholders for the purchase of all of the issued and outstanding shares of the company. A person wishing to acquire shares of a public Israeli company and who would as a result hold over 90.0% of the issued and outstanding share capital of a certain class of shares is required to make a tender offer to all of the shareholders who hold shares of the same class for the purchase of all of the issued and outstanding shares of the same class. If the shareholders who do not accept the offer hold less than 5.0% of the issued and outstanding share capital of the company or of the applicable class, all of the shares that the acquirer offered to purchase will be transferred to the acquirer by operation of law. However, a shareholder that had its shares so transferred may, within three months from the date of acceptance of the tender offer, petition the court to determine that tender offer was for less than fair value and that the fair value should be paid as determined by the court. If the shareholders who did not accept the tender offer hold at least 5.0% of the issued and outstanding share capital of the company or of the applicable class, the acquirer may not acquire shares of the company that will increase its holdings to more than 90.0% of the company's issued and outstanding share capital or of the applicable class from shareholders who accepted the tender offer.

Special Tender Offer. The Companies Law provides that an acquisition of shares of a public Israeli company must be made by means of a special tender offer if as a result of the acquisition the purchaser would become a holder of at least 25.0% of the voting rights in the company, unless one of the exemptions in the Companies Law is met. This rule does not apply if there is already another holder of at least 25.0% of the voting rights in the company. Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a holder of more than 45.0% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45.0% of the voting rights in the company, unless one of the exemptions in the Companies Law is met.

In the event that a special tender offer is made, a company's board of directors is required to express its opinion on the advisability of the offer, or shall abstain from expressing any opinion if it is unable to do so, provided that it gives the reasons for its abstention. An office holder in a target company who, in his or her capacity as an office holder, performs an action the purpose of which is to cause the failure of an existing or foreseeable special tender offer or is to impair the chances of its acceptance, is liable to the potential purchaser and shareholders for damages, unless such office holder acted in good faith and had reasonable grounds to believe he or she was acting for the benefit of the company. However, office holders of the target company

may negotiate with the potential purchaser in order to improve the terms of the special tender offer, and may further negotiate with third parties in order to obtain a competing offer.

If a special tender offer was accepted by a majority of the shareholders who announced their stand on such offer, then shareholders who did not announce their stand or who had objected to the offer may accept the offer within four days of the last day set for the acceptance of the offer.

In the event that a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity shall refrain of making a subsequent tender offer for the purchase of shares of the target company and cannot execute a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Merger. The Companies Law permits merger transactions if approved by each party's board of directors and, unless certain requirements described under the Companies Law are met, a certain percentage of each party's shareholders. The board of directors of a merging company is required pursuant to the Companies Law to discuss and determine whether in its opinion there exists a reasonable concern that as a result of a proposed merger, the surviving company will not be able to satisfy its obligations towards its creditors, such determination taking into account the financial status of the merging companies. If the board has determined that such a concern exists, it may not approve a proposed merger. Following the approval of the board of directors of each of the merging companies, the boards must jointly prepare a merger proposal for submission to the Israeli Registrar of Companies.

Under the Companies Law, if the approval of a general meeting of the shareholders is required, merger transactions may be approved by holders of a simple majority of our shares (including the separate vote of each class of shares, if we have issued shares of different classes) present, in person, by proxy or by written ballot, at a general meeting and voting on the transaction. In determining whether the required majority has approved the merger, if shares of the company are held by the other party to the merger, or by any person holding at least 25.0% of the voting rights or 25.0% of the means of appointing directors or the general manager of the other party to the merger, then a vote against the merger by holders of the majority of the shares present and voting, excluding shares held by the other party or by such person, or any person or entity acting on behalf of, related to or controlled by either of them, is sufficient to reject the merger transaction. If the transaction would have been approved but for the separate approval of each class or the exclusion of the votes of certain shareholders as provided above, a court may still approve the merger upon the request of holders of at least 25.0% of the voting rights of a company, if the court holds that the merger is fair and reasonable, taking into account the value of the parties to the merger and the consideration offered to the shareholders.

Under the Companies Law, each merging company must inform its secured creditors of the proposed merger plans. Unsecured creditors are entitled to notice of the merger pursuant to regulations to be adopted under the Companies Law (no such regulations have been adopted to date). Upon the request of a creditor of either party to the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that, as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger, and may further give instructions to secure the rights of creditors.

In addition, a merger may not be completed unless at least 50 days have passed from the date that a proposal for approval of the merger was filed with the Israeli Registrar of Companies and 30 days from the date that shareholder approval of both merging companies was obtained.

Anti-Takeover Measures

Undesignated preferred stock. The Companies Law allows us to create and issue shares having rights different to those attached to our ordinary shares, including shares providing certain preferred or additional rights to voting, distributions or other matters and shares having preemptive rights. Following the closing of this offering, we will not have any authorized or issued shares other than ordinary shares. In the future, if we

do create and issue a class of shares other than ordinary shares, such class of shares, depending on the specific rights that may be attached to them, may delay or prevent a takeover or otherwise prevent our shareholders from realizing a potential premium over the market value of their ordinary shares. The authorization of a new class of shares will require an amendment to our articles of association which requires the prior approval of the holders of a majority of our voting power voted at a general meeting. Shareholders voting at such a meeting will be subject to the restrictions under the Companies Law described in "— Voting."

Supermajority voting. Our amended and restated articles of association require the approval of the holders of at least two thirds of our combined voting power to effect certain amendments to our articles of association.

Classified board of directors. Our amended and restated articles of association provide for a classified board of directors. See "Management — Board of Directors and Officers."

Establishment

We were incorporated under the laws of the State of Israel in November 1996 and commenced operations in July 1997. We are registered with the Israeli registrar of companies in Jerusalem. Our registration number is 51-239477-6. Our objects under our memorandum of association are to engage in the business of computers, hardware and software, including without limitation research and development, marketing, consulting and the selling of knowledge, and any other engagement which our board of directors shall determine.

Transfer Agent and Registrar

The transfer agent and registrar for our ordinary shares is American Stock Transfer & Trust Company. Its address is 59 Maiden Lane, New York, New York 10038 and its telephone number is (718) 921-8200.

Listing

We have applied to list our ordinary shares on The Nasdaq Global Market under the symbol "ALLT."

ORDINARY SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of our ordinary shares in the public market following this offering, or the perception that such sales may occur, could adversely affect prevailing market prices of our ordinary shares. Assuming no exercise of options outstanding following this offering, we will have an aggregate of 20,914,233 ordinary shares outstanding upon completion of this offering. The 6,500,000 shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless purchased by "affiliates" as that term is defined under Rule 144 of the Securities Act, who may sell only the volume of shares described below and whose sales would be subject to additional restrictions described below.

The remaining 14,414,233 ordinary shares will be held by our existing shareholders and will be deemed to be "restricted securities" under Rule 144. Restricted securities may only be sold in the public market pursuant to an effective registration statement under the Securities Act or pursuant to an exemption from registration under Rule 144 or Rule 701 under the Securities Act. These rules are summarized below.

Eligibility of Restricted Shares for Sale in the Public Market

The following indicates approximately when the 14,414,233 ordinary shares that are not being sold in this offering, but which will be outstanding at the time this offering is complete, will be eligible for sale into the public market, under the provisions of Rule 144:

- upon the date of this prospectus, 218,864 ordinary shares will be available for resale under Rule 144(k);
- beginning 90 days after the date of this prospectus, 161,302 ordinary shares will be available for resale under Rule 701 or pursuant to a Form S-8;
- beginning 180 days after the effective date of this prospectus, up to approximately 13,924,274 shares may be eligible for resale, approximately 9,850,355 of which would be subject to volume, manner of sale and other limitations under Rule 144; and
- the remaining 109,793 shares will be eligible for resale pursuant to Rule 144 upon the expiration of various one year holding periods during the six months following the 180 days after the completion of this offering.

Lock-up Agreements

Our officers and directors, and holders of nearly all of our outstanding shares have signed lock-up agreements pursuant to which, subject to certain exceptions, they have agreed not to sell or otherwise dispose of their ordinary shares or any securities convertible into or exchangeable for ordinary shares for a period of 180 days after the date of this prospectus without the prior written consent of Lehman Brothers Inc. In addition to our outstanding shares, as of the date of this prospectus, we have granted options to purchase 3,451,439 ordinary shares under our share option plans. The holders of options to purchase 88,409 ordinary shares that are vested and exercisable as of the date of this prospectus are not required to sign lock-up agreements with respect to such shares in the event that they exercise options. Accordingly, following any such exercise, these optionholders will be able to sell the shares underlying the options into the public markets beginning 90 days after the date of this prospectus pursuant to Rule 701. The holders of nearly all of the remaining options that we have granted under the terms of our share option plans are required to sign a lock-up agreement upon our request and we have undertaken to the underwriters to require any such optionholder exercising an option during the 180-day period following this offering to sign such a lock-up agreement. In addition, we have agreed that we will not file a registration statement on Form S-8 for the resale of securities underlying employee share options until at least 90 days after the date of this prospectus. The lock-up agreements may be extended under certain circumstances described under "Underwriting — Lock-Up Agreements."

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned ordinary shares for at least one year is entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1.0% of the number of ordinary shares then outstanding, which is expected to equal approximately 209,000 ordinary shares immediately after this offering; or
- the average weekly trading volume of the ordinary shares on the Nasdaq Global Market during the four calendar weeks preceding the filing of a notice on Form 144 in connection with the sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us. In addition, under Rule 144(k) as currently in effect, a person:

- who is not considered to have been one of our affiliates at any time during the 90 days preceding a sale; and
- who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate,

is entitled to sell his shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless subject to a lock-up agreement or otherwise restricted, such “144(k) shares” may be sold immediately upon the closing of this offering.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchased ordinary shares from us under a compensatory stock option plan or other written agreement before the closing of this offering is entitled to resell these shares. These shares can be resold 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with restrictions, including the holding period, contained in Rule 144.

The Securities and Exchange Commission has indicated that Rule 701 will apply to typical share options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the shares acquired upon exercise of these options, including exercises after the date of this prospectus. Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning 90 days after the date of this prospectus, may be sold:

- by persons other than affiliates subject only to the manner of sale provisions of Rule 144; and
- by affiliates under Rule 144 without compliance with its one year minimum holding period requirement.

Options

Following the completion of this offering we intend to file a registration statement on Form S-8 under the Securities Act to register 4,217,644 ordinary shares reserved for issuance or previously issued under our share option plans. We have agreed with the underwriters that we will not file such registration statement until at least 90 days after the date of this prospectus. The registration statement on Form S-8 will become effective automatically upon filing. As of September 30, 2006, options to purchase 3,470,318 ordinary shares were issued and outstanding, of which options to purchase 1,603,393 ordinary shares had vested and had not been exercised. Ordinary shares issued upon exercise of a share option and registered under the Form S-8 registration statement will, subject to vesting provisions, lock-up agreements with the underwriters and Rule 144 volume limitations applicable to our affiliates, be available for sale in the open market immediately following exercise. As described above under “— Lock-Up Agreements”, nearly all of the shares underlying options that are currently vested or that will vest during the 180-day period following the date of this

prospectus will not be available for sale in the public markets until after the end of such 180-day period (as extended pursuant to the terms of the lock-up agreements with the underwriters).

Registration Rights

Following the completion of this offering, the holders of 11,545,147 ordinary shares and options and warrants to purchase ordinary shares are entitled to request that we register their shares for resale under the Securities Act and these shareholders, optionholders and warrantholders also have the right to include their shares in a registration statement for any public offering we undertake in the future subject, in each case, to cutback for marketing reasons. Registration of such shares under the Securities Act would result in such shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of such registration. Any sales of securities by these shareholders could have a material adverse effect on the trading price of our ordinary shares.

TAXATION AND GOVERNMENT PROGRAMS

The following description is not intended to constitute a complete analysis of all tax consequences relating to the ownership or disposition of our ordinary shares. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

Israeli Tax Considerations and Government Programs

The following is a summary of the material Israeli tax laws applicable to us, and some Israeli Government programs benefiting us. This section also contains a discussion of material Israeli tax consequences concerning the ownership and disposition of our ordinary shares in this offering. This summary does not discuss all the acts of Israeli tax law that may be relevant to a particular investor in light of his or her personal investment circumstances or to some types of investors subject to special treatment under Israeli law. Examples of this kind of investor include residents of Israel or traders in securities who are subject to special tax regimes not covered in this discussion. As some parts of this discussion are based on new tax legislation that has not yet been subject to judicial or administrative interpretation, we cannot assure you that the appropriate tax authorities or the courts will accept the views expressed in this discussion.

The discussion below should not be construed as legal or professional tax advice and does not cover all possible tax considerations. Potential investors are urged to consult their own tax advisors as to the Israeli or other tax consequences of the purchase, ownership and disposition of our ordinary shares, including in particular, the effect of any foreign, state or local taxes.

General Corporate Tax Structure in Israel.

Israeli companies are generally subject to corporate tax at the rate of 31% of their taxable income in 2006. The corporate tax rate is scheduled to decline to 29% in 2007, 27% in 2008, 26% in 2009 and 25% in 2010 and thereafter. However, the effective tax rate payable by a company that derives income from an approved enterprise (as discussed below) may be considerably less. Capital gains derived after January 1, 2003 (ther than gains derived from the sale of listed securities that are taxed at the prevailing corporate tax rates) are subject to tax at a rate of 25%.

Tax Benefits and Grants for Research and Development.

Israeli tax law allows, under certain conditions, a tax deduction for expenditures, including capital expenditures, for the year in which they are incurred. These expenses must relate to scientific research and development projects and must be approved by the relevant Israeli government ministry, determined by the field of research. Furthermore, the research and development must be for the promotion of the company and carried out by or on behalf of the company seeking such tax deduction. The amount of such deductible expenses is reduced by the sum of any funds received through government grants for the finance of such scientific research and development projects. No deduction under these research and development deduction rules is allowed if such deduction is related to an expense invested in an asset depreciable under the general depreciation rules of the income Tax Ordinance, 1961. Expenditures not so approved are deductible in equal amounts over three years.

We intend to apply the Office of the Chief Scientist for approval to allow a tax deduction for all research and development expenses during the year incurred. There can be no assurance that our application will be accepted.

Law for the Encouragement of Industry (Taxes), 1969.

The Law for the Encouragement of Industry (Taxes), 1969, generally referred to as the Industry Encouragement Law, provides several tax benefits for industrial companies. We believe that we currently qualify as an “Industrial Company” within the meaning of the Industry Encouragement Law. The Industry Encouragement Law defines “Industrial Company” as a company resident in Israel, of which 90% or more of

its income in any tax year, other than of income from defense loans, capital gains, interest and dividend, is derived from an "Industrial Enterprise" owned by it. An "Industrial Enterprise" is defined as an enterprise whose major activity in a given tax year is industrial production activity.

The following corporate tax benefits, among others, are available to Industrial Companies:

- Amortization of the cost of purchased know-how and patents and of rights to use a patent and know-how which are used for the development or advancement of the company, over an eight-year period;
- Accelerated depreciation rates on equipment and buildings;
- Under specified conditions, an election to file consolidated tax returns with additional related Israeli Industrial Companies; and
- Expenses related to a public offering are deductible in equal amounts over three years.

Eligibility for the benefits under the Industry Encouragement Law is not subject to receipt of prior approval from any governmental authority. We cannot assure that we qualify or will continue to qualify as an "Industrial Company" or that the benefits described above will be available in the future.

Special Provisions Relating to Taxation Under Inflationary Conditions.

The Income Tax Law (Inflationary Adjustments), 1985, generally referred to as the Inflationary Adjustments Law, represents an attempt to overcome the problems presented to a traditional tax system by an economy undergoing rapid inflation. The Inflationary Adjustments Law is highly complex. Its features, which are material to us, can be generally described as follows:

- Where a company's equity, as calculated under the Inflationary Adjustments Law, exceeds the depreciated cost of its fixed assets (as defined in the Inflationary Adjustments Law), a deduction from taxable income is permitted equal to the excess multiplied by the applicable annual rate of inflation. The maximum deduction permitted in any single tax year is 70% of taxable income, with the unused portion permitted to be carried forward, based on the change in the consumer price index. The unused portion that is carried forward may be deducted in full in the following year.
- If the company's depreciated cost of fixed assets exceeds its equity, then the excess multiplied by the applicable annual rate of inflation is added to the company's ordinary income.
- Subject to certain limitations, depreciation deductions on fixed assets and losses carried forward are adjusted for inflation based on the change in the consumer price index.

The Minister of Finance may, with the approval of the Knesset Finance Committee, determine by decree, during a certain fiscal year (or until February 28th of the following year) in which the rate of increase of the Israeli consumer price index would not exceed or did not exceed, as applicable, 3%, that some or all of the provisions of the Inflationary Adjustments Law shall not apply with respect to such fiscal year, or, that the rate of increase of the Israeli consumer price index relating to such fiscal year shall be deemed to be 0%, and to make the adjustments required to be made as a result of such determination.

Law for Encouragement of Capital Investments, 1959.

The Law for Encouragement of Capital Investments, 1959 (the "Investment Law") provides that capital investments in a production facility (or other eligible assets) may, upon approval by the Investment Center of the Israel Ministry of Industry, Trade and Labor (the "Investment Center"), be designated as an Approved Enterprise. Each certificate of approval for an Approved Enterprise relates to a specific investment program, delineated both by the financial scope of the investment and by the physical characteristics of the facility or the asset. The tax benefits from any certificate of approval relate only to taxable profits attributable to the specific Approved Enterprise.

On April 1, 2005, a comprehensive amendment to the Investment Law came into effect. The amendment to the Investment Law includes revisions to the criteria for investments qualified to receive tax benefits. As

the amended Investment Law does not retroactively apply to investment programs having an approved enterprise approval certificate issued by the Investment Center prior to December 31, 2004, our current Approved Enterprises are subject to the provisions of the Investment Law prior to its revision, while new investment and tax benefits related thereof, if any, will be subject to and received under the provisions of the Investment Law, as amended. Accordingly, the following description includes a summary of the Investment Law prior to its amendment as well as the relevant changes contained in the Investment Law, as amended.

In December 1998, our first investment program in our facility in Hod-Hasharon was approved as an Approved Enterprise under the Investment Law, which entitles us to certain tax benefits. Our requests for our second Approved Enterprise were approved in December 2002. The Approved Enterprise Programs granted to us are defined in the Investment Law as Alternative Benefits Programs. Under the terms of our Approved Enterprise, once we begin generating taxable income, we will be entitled to a tax exemption with respect to the undistributed income derived from our Approved Enterprise program for two years and will be subject to a reduced company tax rate of between 10% and 25% for the following five to eight years, depending on the extent of foreign (non-Israeli) investment in us during the relevant year. The tax rate will be 20% if the foreign investment level is at least 49% but less than 74%, 15% if the foreign investment level is at least 74% but less than 90%, and 10% if the foreign investment level is 90% or more. The lowest level of foreign investment during a particular year will be used to determine the relevant tax rate for that year. The period in which we receive these tax benefits may not extend beyond 14 years from the year in which approval was granted and 12 years from the year in which operations or production by the Approved Enterprise began. We expect to utilize these tax benefits after we utilize our net operating loss carryforwards.

A company that has elected to participate in the alternative benefits program and that subsequently pays a dividend out of the income derived from the Approved Enterprise during the tax exemption period will be subject to corporate tax in respect of the amount distributed at the rate that would have been applicable had the company not elected the alternative benefits program (generally 10% to 25%, depending on the foreign (non-Israeli) investment in the company).

The Investment Law also provides that an Approved Enterprise is entitled to accelerated depreciation on its property and equipment that are included in an approved investment program. We have not utilized this benefit.

The tax benefits under the Investment Law also apply to income generated by a company from the grant of a license with respect to know-how developed by the approved enterprise, income generated from royalties, and income derived from a service which is ancillary to such license or royalties, provided that such income is generated within the approved enterprise's ordinary course of business. Income derived from other sources, other than the "Approved Enterprise," during the benefit period will be subject to tax at the regular corporate tax rate. If a company has more than one approval or only a portion of its capital investments is approved, its effective tax rate is the result of a weighted average of the applicable rates. The tax benefits under the Investments Law are not, generally, available with respect to income derived from products manufactured outside of Israel.

In addition, the benefits available to an Approved Enterprise are conditioned upon terms stipulated in the Investment Law and the regulations there under and the criteria set forth in the applicable certificate of approval. If we do not meet these conditions, in whole or in part, the benefits can be canceled and we may be required to refund the amount of the benefits, with the addition of the Israeli consumer price index linkage differences and interest. We believe that our Approved Enterprise currently operates in substantial compliance with all applicable conditions and criteria, but there can be no assurance that it will continue to do so.

Pursuant to the amendment to the Investment Law, only approved enterprises receiving cash grants require the approval of the Investment Center. The Investment Center is entitled to approve such programs only until December 31, 2007. Approved Enterprises which do not receive benefits in the form of governmental cash grants, such as benefits in the form of tax benefits, are no longer required to obtain this approval (such enterprises are referred to as privileged enterprises). However, a privileged enterprise is required to comply with certain requirements and make certain investments as specified in the amended Investment Law.

A privileged enterprise may, at its discretion, in order to provide greater certainty, elect to apply for a pre-ruling from the Israeli tax authorities confirming that it is in compliance with the provisions of the amended Investment Law and is therefore entitled to receive such benefits provided under the amended Investment Law. The amendment to the Investment Law addresses benefits that are being granted to privileged enterprises and the length of the benefits period.

The amended Investment Law specifies certain conditions that a privileged enterprise has to comply with in order to be entitled to benefits. These conditions include among others:

- That the privileged enterprise's revenues during the applicable tax year from any single market (i.e. country or a separate customs territory) do not exceed 75% of the privileged enterprise's aggregate revenues during such year; or
- That 25% or more of the privileged enterprise's revenues during the applicable tax year are generated from sales into a single market (i.e. country or a separate customs territory) with a population of at least 12 million residents.

There can be no assurance that we will comply with the above conditions or any other conditions of the amended Investment Law in the future or that we will be entitled to any additional benefits under the amended Investment Law.

The amendment to the Investment Law changes the definition of "foreign investment" so that the definition now requires a minimal investment of NIS 5 million by foreign investors. Such definition now also includes acquisitions of shares of a company from other shareholders, provided that the total cost of such acquisitions is at least NIS 5 million and the company's outstanding and paid-up share capital exceeds NIS 5 million. These changes took effect retroactively from 2003.

As a result of the amendment, tax-exempt income generated under the provisions of the Investment Law, will subject us to taxes upon distribution of such income, purchase of shares from shareholder by the company or liquidation, and we may be required to record a deferred tax liability with respect to such tax-exempt income.

Taxation of our Shareholders

Taxation of Non-Israeli Shareholders on Receipt of Dividends. Non-residents of Israel are generally subject to Israeli income tax on the receipt of dividends paid on our ordinary shares at the rate of 20%, which tax will be withheld at source, unless a different rate is provided in a treaty between Israel and the shareholder's country of residence. With respect to a person who is a "substantial shareholder" at the time receiving the dividend or on any date in the 12 months preceding it the applicable tax rate is 25%. A "substantial shareholder" is generally a person who alone, or together with such person's relative or another person who collaborates with such person's on a permanent basis, holds, directly or indirectly, at least 10% of any of the "means of control" of the corporation. "Means of control" generally include the right to vote, receive profits, nominate a director or an officer, receive assets upon liquidation, or order someone who holds any of the aforesaid rights how to act, and all regardless of the source of such right. Under the U.S.-Israel Tax Treaty, the maximum rate of tax withheld in Israel on dividends paid to a holder of our ordinary shares who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) is 25%. However, generally, the maximum rate of withholding tax on dividends, not generated by our Approved Enterprise, that are paid to a U.S. corporation holding 10% or more of our outstanding voting capital throughout the tax year in which the dividend is distributed as well as the previous tax year, is 12.5%. Furthermore, dividends paid from income derived from our Approved Enterprise are subject, under certain conditions, to withholding at the rate of 15%. We cannot assure you that we will designate the profits that are being distributed in a way that will reduce shareholders' tax liability.

A non-resident of Israel who receives dividends from which tax was withheld is generally exempt from the duty to file returns in Israel in respect of such income, provided such income was not derived from a business conducted in Israel by the taxpayer, and the taxpayer has no other taxable sources of income in Israel.

Capital Gains Taxes Applicable to Non-Israeli Resident Shareholders. Shareholders that are not Israeli residents are generally exempt from Israeli capital gains tax on any gains derived from the sale, exchange or disposition of our ordinary shares, provided that (1) such shareholders did not acquire their shares prior to our initial public offering, (2) the provisions of the Income Tax Law (inflationary adjustments), 1985 do not apply to such gain, and (3) such gains were not derived from a permanent establishment or business activity of such shareholders in Israel. However, non-Israeli corporations will not be entitled to the foregoing exemptions if an Israeli resident (i) has a controlling interest of 25% or more in such non-Israeli corporation, or (ii) is the beneficiary of or is entitled to 25% or more of the revenues or profits of such non-Israeli corporation, whether directly or indirectly.

Under the U.S.-Israel Tax Treaty, the sale, exchange or disposition of our ordinary shares by a shareholder who is a U.S. resident (for purposes of the U.S.-Israel Tax Treaty) holding the ordinary shares as a capital asset is exempt from Israeli capital gains tax unless either (i) the shareholder holds, directly or indirectly, shares representing 10% or more of our voting capital during any part of the 12-month period preceding such sale, exchange or disposition or (ii) the capital gains arising from such sale are attributable to a permanent establishment of the shareholder located in Israel.

United States Federal Income Taxation

The following is a description of the material United States federal income tax consequences of the ownership and disposition of our ordinary shares. This description addresses only the United States federal income tax considerations of holders that are initial purchasers of our ordinary shares pursuant to the offering and that will hold such ordinary shares as capital assets. This description does not address tax considerations applicable to holders that may be subject to special tax rules, including:

- financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- certain former citizens or long-term residents of the United States;
- persons that received our shares as compensation for the performance of services;
- persons that will hold our shares as part of a “hedging” or “conversion” transaction or as a position in a “straddle” for United States federal income tax purposes;
- persons whose “functional currency” is not the United States dollar; or
- holders that own directly, indirectly or through attribution 10.0% or more, of the voting power or value, of our shares.

Moreover, this description does not address the United States federal estate and gift or alternative minimum tax consequences of the acquisition, ownership and disposition of our ordinary shares.

This description is based on the Code, existing, proposed and temporary United States Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this description, a “U.S. Holder” is a beneficial owner of our ordinary shares that, for United States federal income tax purposes, is:

- a citizen or resident of the United States;
- corporation, or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;

- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if such trust has validly elected to be treated as a United States person for United States federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more United States persons have the authority to control all of the substantial decisions of such trust.

A "Non-U.S. Holder" is a beneficial owner of our ordinary shares that is not a U.S. Holder.

If a partnership (or any other entity treated as a partnership for United States federal income tax purposes) holds our ordinary shares, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to its tax consequences.

You should consult your tax advisor with respect to the United States federal, state, local and foreign tax consequences of acquiring, owning or disposing of our ordinary shares.

Distributions

Subject to the discussion below under "Passive Foreign Investment Company Considerations", if you are a U.S. Holder, for United States federal income tax purposes, the gross amount of any distribution made to you, with respect to your ordinary shares before reduction for any Israeli taxes withheld therefrom, will be includible in your income as dividend income to the extent such distribution is paid out of our current or accumulated earnings and profits as determined under United States federal income tax principles. Subject to the discussion below under "Passive Foreign Investment Company Considerations," non-corporate U.S. Holders may qualify for the lower rates of taxation with respect to dividends on ordinary shares applicable to long-term capital gains (*i.e.*, gains from the sale of capital assets held for more than one year) with respect to taxable years beginning on or before December 31, 2010, provided that certain conditions are met, including certain holding period requirements and the absence of certain risk reduction transactions. However, such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. Subject to the discussion below under "Passive Foreign Investment Company Considerations", to the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits as determined under United States federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in your ordinary shares and thereafter as capital gain. We do not expect to maintain calculations of our earnings and profits under United States federal income tax principles.

If you are a U.S. Holder, dividends paid to you with respect to your ordinary shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Israeli tax withheld on dividends may be deducted from your taxable income or credited against your United States federal income tax liability. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends that we distribute generally will constitute "passive income," or, in the case of certain U.S. Holders, "financial services income". U.S. Holders should note, however, that the "financial services income" category will be eliminated with respect to taxable years beginning after December 31, 2006. For such years, the foreign tax credit limitation categories are limited to "passive category income" and "general category income". The rules relating to the determination of the foreign tax credit are complex, and you should consult your personal tax advisors to determine whether and to what extent you would be entitled to this credit.

Subject to the discussion below under "Backup Withholding Tax and Information Reporting Requirements," if you are a Non-U.S. Holder, you generally will not be subject to United States federal income or withholding tax on dividends received by you on your ordinary shares, unless you conduct a trade or business in the United States and such income is effectively connected with that trade or business.

Sale or Exchange of Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company Considerations", if you are a U.S. Holder, you generally will recognize gain or loss on the sale, exchange or other disposition of your ordinary shares equal to the difference between the amount realized on such sale, exchange or other disposition and your adjusted tax basis in your ordinary shares. Such gain or loss will be capital gain or loss. If you are a non corporate U.S. Holder, capital gain from the sale, exchange or other disposition of ordinary shares is eligible for the preferential rate of taxation applicable to long-term capital gains, with respect to taxable years beginning on or before December 31, 2010, if your holding period for such ordinary shares exceeds one year (*i.e.* such gain is long-term capital gain). Gain or loss, if any, recognized by you generally will be treated as United States source income or loss for United States foreign tax credit purposes. The deductibility of capital losses for U.S. federal income tax purposes is subject to limitations.

Subject to the discussion below under "Backup Withholding Tax and Information Reporting Requirements," if you are a Non-U.S. Holder, you generally will not be subject to United States federal income or withholding tax on any gain realized on the sale or exchange of such ordinary shares unless:

- such gain is effectively connected with your conduct of a trade or business in the United States; or
- you are an individual and have been present in the United States for 183 days or more in the taxable year of such sale or exchange and certain other conditions are met.

Passive Foreign Investment Company Considerations

A non-U.S. corporation will be classified as a "passive foreign investment company," or a PFIC, for United States federal income tax purposes in any taxable year in which, after applying certain look-through rules, either

- at least 75% of its gross income is "passive income"; or
- at least 50% of the average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents, gains from commodities and securities transactions, the excess of gains over losses from the disposition of assets which produce passive income, and includes amounts derived by reason of the temporary investment of funds raised in offerings of our ordinary shares.

Based on certain estimates of our gross income and gross assets, the latter determined by reference to the expected market value of our shares when issued and assuming that we are entitled to value our intangible assets with reference to the market value of our shares, our intended use of the proceeds of this offering, and the nature of our business, we believe that we will not be classified as a PFIC for the taxable year ending December 31, 2005. However, because PFIC status is based on our income, assets and activities for the entire taxable year, it is not possible to determine whether we will have become a PFIC for the 2006 taxable year until after the close of the year. Moreover, we must determine our PFIC status annually based on tests which are factual in nature and our status in future years will depend on our income, assets and activities in those years. While we intend to manage our business so as to avoid PFIC status, to the extent consistent with our other business goals, we cannot predict whether our business plans will allow us to avoid PFIC status determination. We have no reason to believe that our income, assets or activities will change in a manner that would cause us to be classified as a PFIC, but there can be no assurance that we will not be considered a PFIC for any taxable year. In addition, because the market price of our ordinary shares is likely to fluctuate after this offering and the market price of the shares of technology companies has been especially volatile, and because that market price may affect the determination of whether we will be considered a PFIC, there can be no assurance that we will not be considered a PFIC for any taxable year. If we were a PFIC, and you are a U.S. Holder, you generally would be subject to ordinary income tax rates, imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale, exchange or other disposition of, and certain distributions with respect to, your ordinary shares. See "— Distributions" above.

Under the PFIC rules, unless a U.S. Holder makes the election described in the next paragraph, a special tax regime will apply to both (a) any "excess distribution" by the Company (generally, the U.S. Holder's ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by such U.S. Holder in the shorter of the three preceding years or the U.S. Holder's holding period) and (b) any gain realized on the sale or other disposition of the ordinary shares. Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over the U.S. Holder's holding period, (b) the amount deemed realized had been subject to tax in each year of that holding period, and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years. In addition, dividend distributions made to you will not qualify for the lower rates of taxation applicable to long term capital gains discussed above under "Distributions."

A U.S. Holder may elect, provided the Company complies with certain reporting requirements, to have the Company treated, with respect to such U.S. Holder's shareholding as a "qualified electing fund" ("QEF"), in which case, such U.S. Holder must include annually in his gross income his pro-rata share of the Company's annual ordinary earnings and annual net realized capital gains, whether or not such amounts are actually distributed to the U.S. Holder. These amounts are included by a U.S. Holder for the shareholder's taxable year in or with which the Company's taxable year ends. If the election is made, amounts previously included as income generally could be distributed tax-free, and to the extent not distributed, would increase the tax basis of the U.S. Holder's ordinary shares. The Company at present does not intend to comply with all of the accounting and record-keeping requirements that would allow a U.S. Holder to make such an election.

Under certain circumstances, ordinary shares owned by a Non-U.S. Holder may be attributed to a U.S. person owning an interest, directly or indirectly, in the Non-U.S. Holder. In this event, distributions and other transactions in respect of such ordinary shares may be treated as excess distributions with respect to such U.S. person, and a QEF election may be made by such U.S. person with respect to its indirect interest in the Company, subject to the discussion in the preceding paragraphs.

The Company may invest in stock of non-U.S. corporations that are PFICs. In such a case, provided that the Company is a PFIC, a U.S. Holder would be treated as owning its pro rata share of the stock of the PFIC owned by the Company. Such a U.S. Holder would be subject to the rules generally applicable to shareholders of PFICs discussed above with respect to distributions received by the Company from such a PFIC and dispositions by the Company of the stock of such a PFIC (even though the U.S. Holder may not have received the proceeds of such distribution or disposition). Assuming the Company receives the necessary information from the PFIC in which it owns stock, certain U.S. Holders may make the QEF election discussed above with respect to the stock of the PFIC owned by the Company, with the consequences discussed above. However, no assurance can be given that the Company will be able to provide U.S. Holders with such information.

A U.S. Holder may, in some circumstances, elect to mark to market its stock in a PFIC at the close of each taxable year, and to recognize as ordinary income or to deduct as ordinary loss, to the extent of prior income inclusions, the increase or the decrease in value of the stock during the taxable year. Gain or loss on the disposition of the PFIC shares also is treated as ordinary income. The election generally applies to the year in which it is made and all subsequent years and is available only with respect to "marketable stock", being stock which is regularly traded on a national securities exchange registered with the SEC or the national market system established under Section 11A of the Securities Exchange Act of 1934, as amended, or an exchange identified by the Internal Revenue Service ("IRS") as having rules sufficient to ensure that the market price represents fair market value, or, to the extent provided in regulations, if it is stock in a foreign corporation comparable to a regulated investment company and that offers stock which it has issued and which is redeemable at its net asset value.

If we were a PFIC, a holder of ordinary shares that is a U.S. Holder must file United States Internal Revenue Service Form 8621 for each tax year in which the U.S. Holder owns the ordinary shares.

Backup Withholding Tax and Information Reporting Requirements

United States backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, ordinary shares made within the United States, or by a United States payor or United States middleman, to a holder of ordinary shares, other than an exempt recipient (including a corporation, a payee that is not a United States person that provides an appropriate certification and certain other persons). A payor will be required to withhold backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, ordinary shares within the United States, or by a United States payor or United States middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is 28.0% for years through 2010.

In the case of such payments made within the United States to a foreign simple trust, a foreign grantor trust or a foreign partnership, other than payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that qualifies as a "withholding foreign trust" or a "withholding foreign partnership" within the meaning of the applicable United States Treasury Regulations and payments to a foreign simple trust, a foreign grantor trust or a foreign partnership that are effectively connected with the conduct of a trade or business in the United States, the beneficiaries of the foreign simple trust, the persons treated as the owners of the foreign grantor trust or the partners of the foreign partnership, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor may rely on a certification provided by a payee that is not a United States person only if such payor does not have actual knowledge or a reason to know that any information or certification stated in such certificate is incorrect.

The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of our ordinary shares. You should consult your tax advisor concerning the tax consequences of your particular situation.

UNDERWRITING

Lehman Brothers Inc. is acting as the representative of the underwriters and the sole book-running manager of this offering. Under the terms of an underwriting agreement, which is filed as an exhibit to the registration statement, each of the underwriters named below has severally agreed to purchase from us the respective number of ordinary shares shown opposite its name below:

Underwriter	Number of Shares
Lehman Brothers Inc.	
Deutsche Bank Securities Inc.	
CIBC World Markets Corp.	
RBC Capital Markets Corporation	
Total	6,500,000

The underwriting agreement provides that the underwriters' obligation to purchase ordinary shares depends on the satisfaction of the conditions contained in the underwriting agreement, including:

- the obligation to purchase all of the ordinary shares offered hereby (other than those ordinary shares covered by their option to purchase additional ordinary shares as described below), if any of the ordinary shares are purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in our business or the financial markets; and
- we deliver customary closing documents to the underwriters.

The address of Lehman Brothers Inc. is 745 Seventh Avenue, New York, New York 10019.

Commissions and Expenses

The following table summarizes the underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional ordinary shares from us. The underwriting fee is the difference between the initial price to the public and the amount the underwriters pay to us for the ordinary shares.

	No Exercise	Full Exercise
Per share	$	$
Total		

The representative of the underwriters has advised us that the underwriters propose to offer the ordinary shares directly to the public at the public offering price on the cover of this prospectus and to selected dealers, which may include the underwriters, at such offering price less a selling concession not in excess of $ per share. After the offering, the representative may change the offering price and other selling terms.

The expenses of the offering that are payable by us are estimated to be $2.0 million (excluding underwriting discounts and commissions).

Option to Purchase Additional Shares

We have granted the underwriters an option exercisable for 30 days after the date of the underwriting agreement, to purchase, from time to time, in whole or in part, up to an aggregate of 975,000 shares at the public offering price less underwriting discounts and commissions. This option may be exercised if the underwriters sell more than 6,500,000 shares in connection with this offering. To the extent that this option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase its pro rata portion of these additional shares based on the underwriter's underwriting commitment in the offering as indicated in the table at the beginning of this Underwriting section.

Lock-Up Agreements

We, all of our officers and directors, and the holders of nearly all of our outstanding shares have agreed that, without the prior written consent of Lehman Brothers Inc., we and they will not directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any ordinary shares (including, without limitation, ordinary shares that may be deemed to be beneficially owned by us or them in accordance with the rules and regulations of the Securities and Exchange Commission and ordinary shares that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for ordinary shares, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic consequences of ownership of the ordinary shares, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any ordinary shares or securities convertible, exercisable or exchangeable into ordinary shares or any of our other securities, or (4) publicly disclose the intention to do any of the foregoing for a period of 180 days after the date of this prospectus.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to us occurs; or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or occurrence of a material event, unless such extension is waived in writing by Lehman Brothers Inc.

Lehman Brothers Inc., in its sole discretion, may release the ordinary shares and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice. When determining whether or not to release ordinary shares and other securities from lock-up agreements, Lehman Brothers Inc. will consider, among other factors, the holder's reasons for requesting the release, the number of ordinary shares and other securities for which the release is being requested and market conditions at the time.

Offering Price Determination

Prior to this offering, there has been no public market for our ordinary shares. The initial public offering price will be negotiated between the representative and us. In determining the initial public offering price of our ordinary shares, the representative will consider:

- the history and prospects for the industry in which we compete;
- our financial information;
- the ability of our management and our business potential and earning prospects;
- the prevailing securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded shares of generally comparable companies.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

Stabilization, Short Positions and Penalty Bids

The representative may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the ordinary shares, in accordance with Regulation M under the Securities Exchange Act of 1934:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Syndicate covering transactions involve purchases of the ordinary shares in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the ordinary shares originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our ordinary shares or preventing or retarding a decline in the market price of the ordinary shares. As a result, the price of the ordinary shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq Global Market or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the ordinary shares. In addition, neither we nor any of the underwriters make representation that the representative will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters and/or selling group members participating in this offering, or by their affiliates. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter or selling group member, prospective investors may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares for sale to online brokerage account holders. Any such allocation for online distributions will be made by the representative on the same basis as other allocations.

Other than the prospectus in electronic format, the information on any underwriter’s or selling group member’s web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

Nasdaq Global Market

We have applied to list our ordinary shares for quotation on the Nasdaq Global Market under the symbol "ALLT."

Stamp Taxes

If you purchase ordinary shares offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Relationships/NASD Conduct Rules

The underwriters may in the future perform investment banking and advisory services for us from time to time for which they may in the future receive customary fees and expenses. Certain funds related to affiliates of RBC Capital Markets Corporation beneficially own, in the aggregate, in excess of 10.0% of our outstanding share capital, on an "as-converted" basis, and certain funds related to CIBC World Markets Corp. beneficially own, in the aggregate, in excess of 10.0% of our outstanding share capital, on an "as-converted" basis, which may be deemed a conflict of interest under the rules of the National Association of Securities Dealers, Inc., or the NASD. Because of these relationships, this offering is being conducted in accordance with Rule 2720 of the NASD. This rule requires that the initial public offering price for our shares cannot be higher than the price recommended by a "qualified independent underwriter," as defined by the NASD. Lehman Brothers Inc. is serving as a qualified independent underwriter and will assume the customary responsibilities of acting as a qualified independent underwriter in pricing the offering and conducting due diligence. We have agreed to indemnify Lehman Brothers Inc. against any liabilities arising in connection with its role as a qualified independent underwriter, including liabilities under the Securities Act.

Certain securities purchased by funds related to RBC Capital Markets Corporation during the 180-day period preceding the filing date of this prospectus with the Commission shall not be sold during the offering, or sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of the securities by any person for a period of 180 days immediately following the date of this prospectus.

Discretionary Sales

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of ordinary shares offered without the prior specific written approval of the customer.

United Kingdom

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (e) of the Order (all such persons together being referred to as "relevant persons"). The ordinary shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such ordinary shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Each of the underwriters has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 or FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to us, and

(b) it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of ordinary shares being offered hereby to the public in that Relevant Member State prior to the publication of a prospectus in relation to such shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive. However, with effect from and including the Relevant Implementation Date, it may make an offer of our ordinary shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representative for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of ordinary shares shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any ordinary shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any ordinary shares to be offered so as to enable an investor to decide to purchase any ordinary shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

LEGAL MATTERS

The validity of the ordinary shares being offered by this prospectus and other legal matters concerning this offering relating to Israeli law will be passed upon for us by Ori Rosen & Co., Tel Aviv, Israel. Certain legal matters in connection with this offering relating to United States law will be passed upon for us by White & Case LLP, New York, New York. Certain legal matters in connection with this offering relating to Israeli law will be passed upon for the underwriters by Herzog, Fox & Neeman, Tel Aviv, Israel. Certain legal matters concerning this offering relating to United States law will be passed upon for the underwriters by Morrison & Foerster LLP, New York, New York.

EXPERTS

The consolidated financial statements of Allot Communications Ltd. included in this prospectus as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005, have been included in this prospectus in reliance upon the report of Kost, Forer, Gabbay and Kasierer, a member of Ernst & Young Global, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the State of Israel. Service of process upon us and upon our directors and officers and the Israeli experts named in this prospectus, substantially all of whom reside outside the United States, may be difficult to obtain within the United States. Furthermore, because substantially all of our assets and substantially all of our directors and officers are located outside the United States, any judgment obtained in the United States against us or any of our directors and officers may not be collectible within the United States.

We have been informed by our legal counsel in Israel, Ori Rosen & Co., that it may be difficult to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws because Israel is not the most appropriate forum to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

Subject to specified time limitations and legal procedures, Israeli courts may enforce a United States judgment in a civil matter which, subject to certain exceptions, is non-appealable, including judgments based upon the civil liability provisions of the Securities Act and the Exchange Act and including a monetary or compensatory judgment in a non-civil matter, provided that:

- the judgments are obtained after due process before a court of competent jurisdiction, according to the laws of the state in which the judgment is given and the rules of private international law currently prevailing in Israel;
- the prevailing law of the foreign state in which the judgments were rendered allows the enforcement of judgments of Israeli courts;
- adequate service of process has been effected and the defendant has had a reasonable opportunity to be heard and to present his or her evidence;
- the judgments are not contrary to public policy, and the enforcement of the civil liabilities set forth in the judgment does not impair the security or sovereignty of the State of Israel;
- the judgments were not obtained by fraud and do not conflict with any other valid judgment in the same matter between the same parties;

- an action between the same parties in the same matter is not pending in any Israeli court at the time the lawsuit is instituted in the foreign court; and
- the obligations under the judgment are enforceable according to the laws of the State of Israel and according to the law of the foreign state in which the relief was granted.

We have irrevocably appointed Allot Communications, Inc. as our agent to receive service of process in any action against us in any United States federal or state court arising out of this offering or any purchase or sale of securities in connection with this offering.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in Israeli currency at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli consumer price index plus interest at the annual statutory rate set by Israeli regulations prevailing at the time. Judgment creditors must bear the risk of unfavorable exchange rates.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form F-1 under the Securities Act relating to this offering of our ordinary shares. This prospectus does not contain all of the information contained in the registration statement. The rules and regulations of the Securities and Exchange Commission allow us to omit various information from this prospectus that is included in the registration statement. Statements made in this prospectus concerning the contents of any contract, agreement or other document are summaries of all material information about the documents summarized, but are not complete descriptions of all terms of these documents. If we filed any of these documents as an exhibit to the registration statement, you may read the document itself for a complete description of its terms.

You may read and copy the registration statement, including the related exhibits and schedules, and any document we file with the Securities and Exchange Commission without charge at the Securities and Exchange Commission's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549 and at the Securities and Exchange Commission's regional offices at 233 Broadway, New York, NY 10279 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, DC 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room. The Securities and Exchange Commission also maintains an Internet site that contains reports and other information regarding issuers that file electronically with the Securities and Exchange Commission. Our filings with the Securities and Exchange Commission are also available to the public through this web site at http://www.sec.gov.

We are not currently subject to the informational requirements of the Securities Exchange Act of 1934. As a result of this offering, we will become subject to the informational requirements of the Exchange Act applicable to foreign private issuers and will fulfill the obligations of these requirements by filing reports with the Securities and Exchange Commission. As a foreign private issuer, we will be exempt from the rules under the Exchange Act relating to the furnishing and content of proxy statements, and our officers, directors and principal shareholders will be exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the Securities and Exchange Commission as frequently or as promptly as United States companies whose securities are registered under the Exchange Act. However, we intend to file with the Securities and Exchange Commission, within 180 days after the end of each fiscal year, an annual report on Form 20-F containing financial statements which will be examined and reported on, with an opinion expressed, by an independent public accounting firm. We also intend to file with the Securities and Exchange Commission reports on Form 6-K containing unaudited financial information for the first three quarters of each fiscal year, within 60 days after the end of each quarter.

ALLOT COMMUNICATIONS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

U.S. DOLLARS IN THOUSANDS

INDEX

ERNST & YOUNG

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and shareholders of

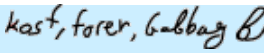
ALLOT COMMUNICATIONS LTD.

We have audited the accompanying consolidated balance sheets of Allot Communications Ltd. (the "Company") and its subsidiaries as of December 31, 2004 and 2005, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2004 and 2005, and the consolidated results of their operations and cash flows, for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

Tel-Aviv, Israel
August 14, 2006, except for
Notes 9a, 9d and 14, as to which
the date is October 30, 2006



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ALLOT COMMUNICATIONS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,		September 30,
	2004	2005	2006
			Unaudited
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 4,095	$ 3,677	$ 4,547
Restricted cash	65	62	69
Marketable securities	3,850	3,588	3,093
Short-term bank deposit	56	57	57
Trade receivables (net of allowance for doubtful accounts of $217, $0 and $0 at December 31, 2004 and 2005 and at September 30, 2006 (unaudited), respectively)	3,336	3,530	4,157
Other receivables and prepaid expenses	575	696	1,746
Inventories	1,427	1,544	2,509
Total current assets	13,404	13,154	16,178
LONG-TERM ASSETS:			
Marketable securities	996	993	5,804
Severance pay fund	1,266	1,538	2,135
Deferred taxes	—	196	237
Other assets	144	104	726
Total long-term assets	2,406	2,831	8,902
PROPERTY AND EQUIPMENT, NET	1,211	1,483	2,339
GOODWILL AND INTANGIBLE ASSETS, NET	146	123	105
Total assets	$ 17,167	$17,591	$ 27,524

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

ALLOT COMMUNICATIONS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands, except share and per share data

	December 31,		September 30,	Pro Forma Shareholders' Equity at September 30,
	2004	2005	2006	2006
			Unaudited	Unaudited
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Short-term bank credit and current maturities, net	$ 116	$ —	$ —	
Trade payables	1,757	2,293	2,834	
Employees and payroll accruals	1,452	1,672	2,483	
Deferred revenues	2,333	3,247	3,841	
Other payables and accrued expenses	1,106	1,668	1,972	
Total current liabilities	6,764	8,880	11,130	
LONG-TERM LIABILITIES:				
Deferred revenues	572	972	1,298	
Accrued severance pay	1,344	1,613	2,258	
Other long-term liabilities	294	—	—	
Total long-term liabilities	2,210	2,585	3,556	
COMMITMENTS AND CONTINGENT LIABILITIES				
SHAREHOLDERS' EQUITY:				
Share capital —				
Ordinary shares and Series A ordinary shares of NIS 0.01 par value — Authorized: 7,249,543 shares at December 31, 2004 and December 31, 2005, 8,297,393 shares at September 30, 2006 (unaudited); Issued and outstanding: 2,447,568 shares at December 31, 2004, 2,724,087 shares at December 31, 2005 and 2,815,439 shares at September 30, 2006 (unaudited); Authorized 200,000,000 (unaudited) shares pro forma; issued 14,374,301 (unaudited) and outstanding 14,127,822 (unaudited) shares pro forma	29	32	33	$ 152
Convertible preferred shares of NIS 0.01 par value — Authorized: 4,650,475 shares at December 31, 2004 and December 31, 2005, 5,102,632 shares at September 30, 2006 (unaudited); Issued: 4,357,769 shares at December 31, 2004 and 2005, 4,809,926 shares at September 30, 2006 (unaudited); Outstanding: 4,249,412 shares at December 31, 2004 and 2005, 4,701,569 shares at September 30, 2006 (unaudited); Aggregate liquidation preference of approximately $ 36,060 at December 31, 2004 and 2005 and $ 41,560 at September 30, 2006 (unaudited); Authorized 0 (unaudited) shares pro forma; issued and outstanding 0 (unaudited) shares pro forma	103	103	113	—
Additional paid-in capital	43,692	43,972	50,095	50,089
Deferred stock compensation	(119)	(75)	(43)	(43)
Accumulated other comprehensive loss	(4)	(22)	(39)	(39)
Accumulated deficit	(35,508)	(37,884)	(37,321)	(37,321)
Total shareholders' equity	8,193	6,126	12,838	12,838
Total liabilities and shareholders' equity	$ 17,167	$ 17,591	$ 27,524	

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

ALLOT COMMUNICATIONS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands, except share and per share data

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				Unaudited	
Revenues:					
Products	$ 13,122	$ 14,638	$ 18,498	$ 12,576	$ 20,718
Services	1,653	3,447	4,474	3,317	3,859
Total revenues	14,775	18,085	22,972	15,893	24,577
Cost of revenues:					
Products	3,229	3,942	4,481	3,237	4,562
Services	362	679	938	699	845
Total cost of revenues	3,591	4,621	5,419	3,936	5,407
Gross profit	11,184	13,464	17,553	11,957	19,170
Operating expenses:					
Research and development, net	2,959	3,957	5,925	4,382	5,642
Sales and marketing	8,164	10,104	11,887	8,797	10,859
General and administrative	1,832	2,081	2,380	1,709	2,260
Impairment of intangible assets	—	366	—	—	—
Total operating expenses	12,955	16,508	20,192	14,888	18,761
Operating income (loss)	(1,771)	(3,044)	(2,639)	(2,931)	409
Financial and other income (expenses), net	(507)	(241)	45	36	229
Income (loss) before income tax expenses (benefit)	(2,278)	(3,285)	(2,594)	(2,895)	638
Income tax expenses (benefit)	2	3	(218)	(178)	75
Net income (loss)	$ (2,280)	$ (3,288)	$ (2,376)	$ (2,717)	$ 563
Basic net earnings (loss) per share	$ (0.82)	$ (1.18)	$ (0.81)	$ (0.94)	$ 0.04
Diluted net earnings (loss) per share	$ (0.82)	$ (1.18)	$ (0.81)	$ (0.94)	$ 0.04
Weighted average number of shares used in computing basic net earnings (loss) per share	2,774,639	2,787,554	2,943,500	2,903,356	13,310,355
Weighted average number of shares used in computing diluted net earnings (loss) per share	2,774,639	2,787,554	2,943,500	2,903,356	15,501,698
Pro forma basic and diluted net earnings (loss) per share of ordinary shares (Note 2r) (unaudited)			$ (0.17)		$ 0.04

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

ALLOT COMMUNICATIONS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
U.S. dollars in thousands, except share data

	Ordinary Shares		Convertible Preferred Shares		Additional Paid-in	Deferred Stock	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Compensation	Loss	Deficit	Total
Balance at January 1, 2003	2,418,181	$ 29	3,572,624	$ 86	$ 35,522	$ (273)	$ —	$ (29,940)	$ 5,424
Exercise of warrants and employee stock options	19,520	*) —	—	—	4	—	—	—	4
Compensation related to warrants granted to consultants	—	—	—	—	72	—	—	—	72
Cancellation of deferred stock compensation	—	—	—	—	(45)	45	—	—	—
Amortization of stock-based compensation	—	—	—	—	—	225	—	—	225
Net loss	—	—	—	—	—	—	—	(2,280)	(2,280)
Balance at December 31, 2003	2,437,701	29	3,572,624	86	35,553	(3)	—	(32,220)	3,445
Issuance of share capital (net of expenses of $77)	—	—	785,145	17	7,854	—	—	—	7,871
Exercise of warrants and employee stock options	9,867	*) —	—	—	11	—	—	—	11
Compensation related to warrants granted to consultants	—	—	—	—	151	—	—	—	151
Deferred stock-based compensation	—	—	—	—	123	(123)	—	—	—
Amortization of stock-based compensation	—	—	—	—	—	7	—	—	7
Net unrealized loss on available-for-sale securities	—	—	—	—	—	—	(4)	—	(4)
Net loss	—	—	—	—	—	—	—	(3,288)	(3,288)
Balance at December 31, 2004	2,447,568	29	4,357,769	103	43,692	(119)	(4)	(35,508)	8,193
Exercise of warrants and employee stock options	276,519	3	—	—	19	—	—	—	22
Compensation related to warrants and options granted to consultants	—	—	—	—	54	—	—	—	54
Deferred stock compensation	—	—	—	—	2	(2)	—	—	—
Amortization of stock-based compensation	—	—	—	—	205	46	—	—	251
Net unrealized loss on available-for-sale securities	—	—	—	—	—	—	(18)	—	(18)
Net loss	—	—	—	—	—	—	—	(2,376)	(2,376)
Balance at December 31, 2005	2,724,087	32	4,357,769	103	43,972	(75)	(22)	(37,884)	6,126
Issuance of share capital (net of expenses of $68)	—	—	452,157	10	5,422	—	—	—	5,432
Exercise of warrants and employee stock options	91,352	1	—	—	51	—	—	—	52
Compensation related to warrants and options granted to consultants	—	—	—	—	305	—	—	—	305
Amortization of stock-based compensation	—	—	—	—	345	32	—	—	377
Net unrealized loss on available-for-sale securities	—	—	—	—	—	—	(17)	—	(17)
Net income	—	—	—	—	—	—	—	563	563
Balance at September 30, 2006 (unaudited)	2,815,439	$ 33	4,809,926	$ 113	$ 50,095	$ (43)	$ (39)	$ (37,321)	$ 12,838

*) Represents an amount lower than $1.

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

ALLOT COMMUNICATIONS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				Unaudited	
Cash flows from operating activities:					
Net income (loss)	$(2,280)	$(3,288)	$(2,376)	$(2,717)	$ 563
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation	449	416	559	408	638
Stock-based compensation related to options granted to employees and non-employees	297	158	305	277	682
Amortization and impairment of intangible assets	172	505	23	18	18
Capital loss (gain)	28	(3)	6	4	—
Accrued severance pay, net	22	(125)	(3)	66	48
Decrease (increase) in other assets	(1)	(58)	19	25	(1,226)
Accrued interest on marketable securities	—	—	(4)	—	(14)
Decrease in other long-term liabilities	(47)	(84)	(294)	(200)	—
Decrease (increase) in trade receivables, net	(342)	(642)	(194)	95	(627)
Decrease (increase) in other receivables and prepaid expenses	(189)	134	(15)	(20)	(417)
Increase in inventories	(141)	(337)	(271)	(16)	(965)
Increase in deferred taxes	—	—	(281)	(233)	(47)
Increase in trade payables	161	457	536	70	541
Increase in employees and payroll accruals	187	150	219	298	811
Increase in deferred revenues	2,084	821	1,315	928	920
Increase (decrease) in other payables and accrued expenses	(219)	(131)	562	(248)	304
Amortization of discount on bank credit-line	397	318	50	50	—
Net cash provided by (used in) operating activities	578	(1,709)	156	(1,195)	1,229
Cash flows from investing activities:					
Decrease (increase) in short-term bank deposit	1,502	(56)	(1)	—	—
Decrease (increase) in restricted cash	(62)	(3)	3	3	(7)
Purchase of property and equipment	(235)	(607)	(686)	(544)	(1,498)
Proceeds from sale of property and equipment	86	41	4	5	4
Purchase of marketable securities	—	(4,850)	(4,300)	(3,504)	(13,762)
Proceeds from redemption or sale of marketable securities	—	—	4,550	3,350	9,420
Net cash provided by (used in) investing activities	1,291	(5,475)	(430)	(690)	(5,843)

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

ALLOT COMMUNICATIONS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				Unaudited	
Cash flows from financing activities:					
Repayment of bank credit	(1,475)	(234)	(166)	(166)	—
Bank credit received	400	—	—	—	—
Issuance of share capital, net	4	7,882	22	13	5,484
Net cash provided by (used in) financing activities	(1,071)	7,648	(144)	(153)	5,484
Increase (decrease) in cash and cash equivalents	798	464	(418)	(2,038)	870
Cash and cash equivalents at the beginning of the period	2,833	3,631	4,095	4,095	3,677
Cash and cash equivalents at the end of the period	$ 3,631	$4,095	$3,677	$ 2,057	$4,547
Supplementary cash flow information:					
(a) Non-cash activities:					
Capitalization of inventory to property and equipment	$ 150	$ 238	$ 155	$ —	$ —
(b) Cash paid during the period for:					
Interest	$ 32	$ 18	$ 8	$ 6	$ 1
Taxes	$ —	$ —	$ —	$ —	$ 123

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

NOTE 1:- GENERAL

Allot Communications Ltd. (the "Company") was incorporated in November 1996 under the laws of the State of Israel. The Company is engaged in developing, selling and marketing broadband service optimization solutions using advanced deep packet inspection, or DPI, technology. Allot's solutions provide broadband service providers and enterprises with real-time, highly granular visibility into network traffic, and enable them to efficiently and effectively manage and optimize their networks. Allot's solutions are used to create policies to monitor network applications, enforce quality of service policies that guarantee mission-critical application performance, mitigate security risks and leverage network infrastructure investments. Allot's products are used by service providers to offer subscriber-based and application-based tiered services that enable them to optimize their service offerings.

The Company holds five wholly-owned subsidiaries (collectively "Allot"): Allot Communications, Inc. in Eden Prairie, Minnesota, United-States (the "US subsidiary"), which was incorporated in 1997 under the laws of the state of California, Allot Communication Europe SARL in Sophia, France (the "European subsidiary") which was incorporated in 1998 under the laws of France, Allot Communications Japan K.K. in Tokyo, Japan (the "Japanese subsidiary"), which was incorporated in 2004 under the laws of Japan, Allot Communications (UK) Limited (the "UK subsidiary") which was incorporated in 2006 under the laws of England and Wales and Allot Communications (Asia Pacific) Pte. Ltd. (the "Singaporean subsidiary") which was incorporated in 2006 under the laws of Singapore.

The US subsidiary commenced operations in 1997. It engages in the sale, marketing and technical support services in America of products manufactured by and imported from the Company. The European, Japanese, UK and Singaporean subsidiaries are engaged in marketing and technical support services of the Company's products in Europe, Japan and Asia Pacific.

During 2003, 2004 and 2005, approximately 13%, 12% and 9%, respectively, of Allot's revenues were derived from a single customer. During 2005, approximately 16% of Allot's revenues derived from a different customer.

Allot currently depends on a single subcontractor to manufacture and provide hardware warranty support for its NetEnforcer traffic management system. If it experiences delays, disruptions, quality control problem or a loss in capacity, it could materially adversely affect Allot's operating results (see also Note 8d). Certain components for the NetEnforcer traffic management systems come from single or limited sources, and Allot could lose sales if these sources fail to satisfy its supply requirements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

a. Use of estimates:

The preparation of financial statements, in conformity with U.S. GAAP requires Allot's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from such estimates.

b. Financial statements in U.S. dollars:

The majority of the revenues of the Company and certain of its subsidiaries are generated in U.S. dollars ("dollar") or linked to the dollar. In addition, a majority portion of the Company's and certain of its subsidiaries' costs are incurred or determined in dollars. A portion of the Company and its subsidiaries' costs is paid in local currencies. The Company's management believes that the dollar is the

currency of the primary economic environment in which the Company and its subsidiaries operate. Thus, the functional and reporting currency of the Company and its subsidiaries is the dollar.

Accordingly, monetary accounts maintained in currencies other than the dollar are remeasured into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation". All transactions gains and losses from the remeasurement of monetary balance sheet items are reflected in the statements of operations as financial income or expenses as appropriate.

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, including profits from intercompany sales not yet realized outside Allot, have been eliminated upon consolidation.

d. Cash and cash equivalents:

Allot considers all highly liquid investments which are readily convertible to cash with maturity of three months or less, at the date of acquisition, to be cash equivalents.

e. Marketable securities:

Allot accounts for its investments in marketable securities using Statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115").

Allot's management determines the appropriate classification of marketable debt and equity securities at the time of purchase and evaluates such designation as of each balance sheet date. To date, all debt securities have been classified as available-for-sale and are carried at fair market value, based on quoted market prices with material unrealized gains and losses, if any, included as a separate component of shareholders' equity. Realized gains and losses considered declines in value of securities judged to be other than temporary are included in interest income and have not been material to date. The cost of securities sold is based on the specific identification method.

As of December 31, 2005, Allot held marketable securities in U.S. dollars in the United States which were classified as available for sale. The balance was composed of auction rate and government agency securities. The auction rate and government agencies securities bear interest at rates ranging from 2.95% to 4.38% per annum.

f. Short-term deposit:

A short-term bank deposit is a deposit with a maturity of more than three months but less than one year. The deposit is in U.S. dollars and bears interest at the rate of 2.25%. The short-term deposit is presented at cost, including accrued interest.

g. Inventories:

Inventories are stated at the lower of cost or market value. Inventory reserves are provided to cover risks arising from slow-moving items or technological obsolescence. Cost of inventories is determined as the cost of raw material, manufacturing cost and addition of allocable indirect costs. Cost is determined using the "average cost" method. Inventory write-offs totaled $246, $397 and $179 in 2003, 2004 and 2005, respectively.

h. Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets at the following annual rates:

	%
Computers and peripheral equipment	20-33
Office furniture and equipment	6-33
Leasehold improvements	By the shorter of term of the lease or the useful life of the asset

i. Goodwill and Intangible assets:

Goodwill reflects the excess of the purchase price of business acquired over the fair value of the net tangible and intangible assets acquired. Intangible assets consist mainly of acquired technology, trade names and customer relations.

Effective January 1, 2002, Allot adopted Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (“SFAS No. 142”). Under SFAS No. 142, goodwill is no longer amortized but instead is tested for impairment at least annually (or more frequently if impairment indicators arise).

SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment while the second phase (if necessary) measures impairment. In the first phase of impairment testing, goodwill attributable to each of the reporting units is tested for impairment by comparing the fair value of each reporting unit with its carrying value. As of December 31, 2003 and 2005, no instances of impairment of goodwill were identified. See Note 6 for December 31, 2004.

Intangible assets are amortized over their useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used up, in accordance with SFAS No. 142. The Company amortizes its intangible assets on a straight line basis. As of December 31, 2003 and 2005, no instances of impairment were identified. See Note 6 for December 31, 2004.

j. Impairment of long-lived assets:

Long-lived assets are reviewed for impairment in accordance with Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS No. 144”), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of December 31, 2003, 2004 and 2005, no instances of impairment were identified.

k. Revenue recognition:

Allot generates revenues mainly from the sale of hardware and software products and such provision of maintenance and support services. Allot sells its products mostly through distributors, OEMs, system integrators and value added resellers, all of whom are considered customers from Allot’s perspective.

The software components of Allot’s products are deemed to be more than incidental to the products as a whole, in accordance with Statement of Position 97-2, “Software Revenue Recognition” (“SOP 97-2”) and EITF 03-5, “Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an

Arrangement Containing More-Than-Incidental Software". Therefore, Allot accounts for its product sales in accordance with SOP 97-2. Revenues from product sales are recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, no significant obligations with regard to implementation remain, the fee is fixed or determinable and collectibility is probable.

SOP 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative objective fair value of the elements. Allot has adopted Statement of Position 98-9, "Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions" ("SOP 98-9"). According to SOP 98-9, revenues should be allocated to the different elements in the arrangement under the "residual method" when Vendor Specific Objective Evidence ("VSOE") of fair value exists for all undelivered elements and no VSOE exists for the delivered elements. Under the residual method, at the outset of the arrangement with a customer, Allot defers revenue for the fair value of its undelivered elements (maintenance and support) and recognizes revenue for the remainder of the arrangement fee attributable to the elements initially delivered in the arrangement (hardware and software products) when all other criteria in SOP 97-2 have been met. Any discount in the arrangement is allocated to the delivered element.

Maintenance and support revenue included in multiple element arrangements is deferred and recognized on a straight-line basis over the term of the applicable maintenance and support agreement. The VSOE of fair value of the maintenance and support services is determined based on the price charged when sold separately or when renewed. Deferred revenues are classified as short and long terms and recognized as revenues at the time respective elements are provided.

Allot generally does not grant a right of return to its customers. However, when other customer incentives, such as trade-in or rebates, are expected and estimated, Allot records a provision at the time product revenues is recognized based on its experience. The provision has been deducted from revenues and amounted to $ 91, $50 and $73 for the years ended December 31, 2003, 2004 and 2005, respectively.

Allot grants a one-year hardware warranty and three-month software warranty on all of its products. Allot estimates the costs that may be incurred under its warranty arrangements and records a liability in the amount of such costs at the time product revenue is recognized. Factors that affect the Company's warranty liability include the number of installed units, historical and anticipated rates of warranty claims and cost per claim. Allot periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

l. Research and development costs:

Statement of Financial Accounting Standard No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed", requires capitalization of certain software development costs subsequent to the establishment of technological feasibility.

Based on Allot's product development process, technological feasibility is established upon the completion of a working model. Allot does not incur material costs between the completion of a working model and the point at which the products are ready for general release. Therefore, research and development costs are charged to the statement of operations as incurred.

m. Severance pay:

The Company's liability for severance pay for its Israeli employees is calculated pursuant to Israeli severance pay law, based on the most recent monthly salary of its employees multiplied by the number of years of employment as of the balance sheet date for such employees. The Company's liability is partly provided by monthly deposits with severance pay funds and insurance policies and the remainder by an accrual.

The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to Israel's Severance Pay law or labor agreements. The value of the deposited funds and insurance policies is based on the cash surrendered value and includes profits accumulated up to the balance sheet date.

Severance expenses for the years ended December 31, 2003, 2004 and 2005, amounted to approximately $307, $433 and $426, respectively.

n. Accounting for stock-based compensation:

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" in accounting for its employee stock option plans.

Under APB No. 25, when the exercise price of the Company's stock options is less than the market price of the underlying shares on the date of grant, compensation expense is recognized.

The Company adopted the disclosure provisions of Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure", which amended certain provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. The Company continues to apply the provisions of APB No. 25 in accounting for stock-based compensation.

Pro forma information regarding the Company's net loss and net loss per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method prescribed by SFAS No. 123.

The fair value of options granted in 2003, 2004 and 2005 is amortized over their vesting period and was estimated at the date of grant using the Minimum Value Model option pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2003	2004	2005
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	0.0%	0.0%	0.0%
Risk free interest	2.4%	3.3%	4.0%
Expected life of up to (in years)	4.0	4.0	4.0

The following table illustrates the effect on net loss and net loss per share, assuming that the Company had applied the fair value recognition provision of SFAS No. 123 on its stock-based employee compensation:

	Year Ended December 31,		
	2003	2004	2005
Net loss, as reported	$2,280	$3,288	$2,376
Deduct — Stock-based employee compensation — intrinsic value	225	7	251
Add — Stock-based employee compensation — fair value	252	30	293
Pro forma — net loss	$2,307	$3,311	$2,418
Basic and diluted net loss per share of ordinary shares, as reported	$ 0.82	$ 1.18	$ 0.81
Pro forma basic and diluted net loss per share of ordinary shares	$ 0.83	$ 1.19	$ 0.82

The Company applies SFAS No. 123 and Emerging Issues Task Force No. 96-18, “Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services” (“EITF No. 96-18”), with respect to options and warrants issued to non-employees. SFAS No. 123 requires the use of option valuation models to measure the fair value of the options and warrants at the measurement date as defined in EITF No. 96-18.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of FASB Statement No. 123(R), “Share-Based Payments” (“SFAS No. 123(R)”). For grants where the Company had previously presented the required SFAS No. 123 pro forma disclosures using the minimum value method, the Company adopted the new standard using the prospective transition method. As such, for those awards, the Company will continue to apply APB 25 in future periods.

As a result of adopting SFAS No. 123(R) on January 1, 2006, the Company’s net income for the period ended September 30, 2006, is $ 252 lower with $0.01 negative effect on basic and diluted net earnings per share, than if it had continued to account for stock-based compensation under APB 25.

The following table sets forth the total stock-based compensation expense resulting from stock options included in the Consolidated Statements of Operations:

	Nine Months Ended September 30, 2006 (Unaudited)
Cost of revenues	$ 8
Research and development expenses, net	97
Sales and marketing expenses	330
General and administrative expenses	247
Total stock-based compensation expense	$ 682

The fair value of stock-based awards was estimated using the Binomial model starting January 1, 2006 with the following weighted-average assumptions for the nine months ended September 30, 2006:

	Nine Months Ended September 30, 2006 (Unaudited)
Weighted average expected term (years)	6.11
Suboptimal exercise multiple	2-3
Forfeiture rate	5%-12%
Interest rate	4.53%-5.33%
Volatility	85%
Dividend yield	0%
Weighted-average fair value at grant date	$4.32

The computation of expected volatility is based on realized historical stock price volatility of peer companies. The computation of the suboptimal exercise multiple and the forfeiture rate are based on the employees expected exercise and on prior to and post vesting termination behavior. The interest rate for period within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

The following table presents the employees stock option activity for the nine months ended September 30, 2006. The information for the nine months ended September 30, 2005 was not presented since options granted through December 2005 were measured using the Minimum Value Valuation Model.

	Number of Shares Upon Exercise	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2005	2,309,141	$ 1.63	
Granted	1,076,404	$ 3.66	
Forfeited	(41,062)	$ 1.96	
Exercised	(91,352)	$ 0.61	
Outstanding at September 30, 2006 (unaudited)	3,253,131	$ 2.28	$ 11,886
Exercisable at September 30, 2006 (unaudited)	1,497,051	$ 1.40	$ 6,787
Vested and expected to vest	3,123,708	$ 2.25	$ 11,510

The aggregate intrinsic value in the table above represents the total intrinsic value of the Company's ordinary shares (i.e., the difference between the estimated value on September 30, 2006 and the exercise price, times the number of options) that would have been received by the option holders had all option holders exercised their options on September 30, 2006. This amount changes based on the fair value of the Company's ordinary shares. The total intrinsic value of options exercised during the nine months ended September 30, 2006 was $486. The total fair value of options vested and forfeited during the nine months ended September 30, 2006 was immaterial since most of them were measured with the Minimum Value Valuation Method. The number of options vested during the nine months ended September 30, 2006 was 500,386. The weighted-average remaining contractual term of the outstanding options at September 30, 2006 was 7.63 years. As of September 30, 2006, $2,492 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of approximately 3.5 years.

o. Concentration of credit risks:

Financial instruments that potentially subject Allot to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, short-term deposits and trade receivables.

The majority of cash and cash equivalents, marketable securities and short-term deposits of Allot are invested in U.S. dollar deposits in major U.S. and Israeli banks. Such deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions. Allot's management believes that the financial institutions that hold Allot's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments.

Allot's trade receivables are derived from sales to large and solid organizations located mainly in the United States, Europe and Asia.

Allot has no off-balance-sheet concentration of credit risk, such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

p. Royalty bearing grants:

Participation grants from the Office of the Chief Scientist of the Ministry of Industry and Trade in Israel ("OCS") for research and development activity are recognized at the time Allot is entitled to such grants on the basis of the costs incurred and included as a deduction of research and development costs. Research and development grants recognized amounted to $1,094, $894 and $ 727 in 2003, 2004 and 2005, respectively.

q. Income taxes:

Allot accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". This Statement prescribes the use of the liability method, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Allot provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

r. Basic and diluted net earnings (loss) per share:

Allot applies the two class method as required by EITF No. 03-6, "Participating Securities and the Two — Class Method under FASB Statement No. 128" ("EITF No. 03-6"). EITF No. 03-6 requires the earnings (loss) per share for each class of shares (ordinary shares and preferred shares) to be calculated assuming 100% of the Company's earnings are distributed as dividends to each class of shares based on their contractual rights.

In compliance with EITF 03-6, the series of preferred shares are not participating securities in losses, and therefore are not included in the computation of net loss per share.

Basic and diluted net earnings (losses) per share are computed based on the weighted average number of shares of ordinary shares outstanding during each year. Diluted net earnings (losses) per share is computed based on the weighted-average number of ordinary shares outstanding during the period, plus dilutive potential shares of ordinary shares considered outstanding during the period, in accordance with Statement of Financial Standard No. 128, "Earnings Per Share".

For the years ended December 31, 2003, 2004 and 2005, all outstanding options, warrants and preferred shares have been excluded from the calculation of the diluted loss per share since their effect was anti-dilutive.

Basic and diluted pro forma net earnings (loss) per share (unaudited), as presented in the statements of operations, has been calculated as described above and also gives effect to (1) the automatic conversion of the preferred shares (Series A, Series B, Series C, Series D and Series E) and the Series A ordinary shares, such that each preferred share and Series A ordinary share will be converted into one ordinary share and, as a result of the share dividend effected on October 29, 2006, an additional approximately 1.275 ordinary shares will be issued in respect of each such ordinary share and (2) the issuance of 1,138,496 and 275,177 ordinary shares at December 31, 2005 and September 30, 2006, respectively, pursuant to the anti-dilution provisions of the Series C preferred shares, including the accounting effects of the conversion of Series C preferred shares that will occur upon closing of the Initial Public Offering ("IPO"). (See also Note 2s)

The following table presents the calculation of pro forma basic and diluted net earnings (loss) per share:

1. Numerator:

	Year Ended December 31, 2005	Nine Months Ended September 30, 2006
		Unaudited
Net income (loss) as reported	$ (2,376)	$ 563

2. Denominator:

	Year Ended December 31, 2005	Nine Months Ended September 30, 2006
	Number of Shares	
		Unaudited
Weighted average number of shares of ordinary shares	2,943,500	(*)13,310,355
Denominator for basic net earnings (loss) per share of ordinary shares		
Effect of dilutive securities:		
Employees stock options and warrants	—	2,191,343
Dilutive potential shares of ordinary shares	2,943,500	15,501,698
Effect of weighted average potential ordinary shares assumed from conversion of preferred shares	10,880,331	229,176
Denominator for pro forma and diluted net earnings (loss) per share of ordinary shares	13,823,831	15,730,874

(*) Includes 10,220,632 preferred shares on an as-converted basis.

s. Unaudited pro forma shareholders' equity:

The Company's Board of Directors has authorized the filing of a Registration Statement with the U.S. Securities and Exchange Commission to register the Company's ordinary shares for an IPO. Upon the consummation of the IPO, all of the authorized, issued and outstanding Series A ordinary shares and the Series A, B, C, D and E preferred shares will automatically be converted into ordinary shares as well as the additional ordinary shares issuable as a result of the anti-dilution provisions of the Series C preferred shares. Unaudited pro forma shareholders' equity at September 30, 2006, as adjusted for the

assumed conversion of such shares and the anti-dilution protection and the Company's authorized share capital (as described in Note 9a), is disclosed in the balance sheet.

The anti-dilution provisions of the Series C preferred shares (as more fully discussed in Note 9b), is dependent on the valuation of the Company upon the closing of an IPO. As such, the pro forma shareholders' equity reflects the number of ordinary shares issued as a result of the above mentioned anti-dilution adjustment.

t. Fair value of financial instruments:

The following methods and assumptions were used by Allot in estimating the fair value disclosures for financial instruments:

The carrying value of cash and cash equivalents, short-term deposits, trade receivables, other accounts receivable and prepaid expenses, trade payables and other liabilities approximate their fair values due to the short-term maturities of such instruments.

Long-term loans are estimated by discounting the future cash flows using current interest rates for loans of similar terms and maturities. The carrying amount of the long-term loans approximates their fair value.

u. Impact of recently issued accounting pronouncements:

In May 2005, the FASB issued Statement of Financial Accounting Standard No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154"), a replacement of APB No. 20, "Accounting Changes" ("APB No. 20") and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. APB No. 20 previously required that most voluntary changes in accounting principles be recognized by including in net income for the period of change the cumulative effect of changing to the new accounting principle. SFAS No. 154 requires retroactive application to prior periods' financial statements of a voluntary change in accounting principles unless it is impracticable. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In November 2005, the FASB issued FASB Staff Position ("FSP") FAS 115-1. The FSP addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. The FSP also includes accounting considerations subsequent to the recognition of other than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in this FSP amends SFAS No. 115, "Accounting for Certain Investments in Debt and Equity". The FSP replaces the impairment evaluation guidance of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," with references to the existing other-than-temporary impairment guidance. The FSP clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell an impaired security has not been made. The guidance in this FSP is to be applied to reporting periods beginning after December 15, 2005. Allot does not expect that the adoption of FSP FAS 115-1 will have a material impact on its financial position or results of operations.

NOTE 3:- MARKETABLE SECURITIES

The following is a summary of available-for-sale securities:

	December 31, 2004			December 31, 2005			September 30, 2006 Unaudited		
	Cost	Unrealized Losses	Market Value	Cost	Unrealized Losses	Market Value	Cost	Unrealized Losses	Market Value
Auction rate securities	$ 3,850	$ —	$ 3,850	$ 2,600	$ —	$ 2,600	$ 2,100	$ —	$ 2,100
Government agencies	1,000	(4)	996	2,003	(22)	1,981	6,836	(39)	6,797
Total securities	$ 4,850	$ (4)	$ 4,846	$ 4,603	$ (22)	$ 4,581	$ 8,936	$ (39)	$ 8,897

	December 31, 2004		December 31, 2005		September 30, 2006 Unaudited	
	Cost	Market Value	Cost	Market Value	Cost	Market Value
Matures in one year	$3,850	$3,850	$3,600	$3,588	$3,102	$3,093
Mature from one year	1,000	996	1,003	993	5,834	5,804
Total securities	$4,850	$4,846	$4,603	$4,581	$8,936	$8,897

As of December 31, 2005, and September 30, 2006, Allot's investments in government agencies included continuous unrealized losses of $4 and $7, respectively, for a period greater than 12 months.

The unrealized losses in Allot's investments in government agencies were caused by interest rate increases. It is expected that the securities would not be settled at a price less than the amortized cost of Allot's investment. Based on Allot's intention to hold these investments until maturity, the securities were not considered to be other than temporarily impaired at December 31, 2005 and as of September 30, 2006.

NOTE 4:- INVENTORIES

	December 31,		September 30, 2006
	2004	2005	Unaudited
Raw materials	$ 370	$ 496	$ 545
Finished products	1,057	1,048	1,964
	$1,427	$1,544	$ 2,509

NOTE 5:- PROPERTY AND EQUIPMENT, NET

	December 31,	
	2004	2005
Cost:		
Computers and peripheral equipment	$1,671	$2,120
Office furniture and equipment	1,439	1,802
Leasehold improvements	127	144
	3,237	4,066
Accumulated depreciation	2,026	2,583
Depreciated cost	$1,211	$1,483

Depreciation expenses for the years ended December 31, 2003, 2004 and 2005, were $449, $416 and $559, respectively.

NOTE 6:- INTANGIBLE ASSETS, NET

a. The following table shows the Company's intangible assets for the periods presented:

	December 31,	
	2004	2005
Cost:		
Customer base	$261	$261
Accumulated amortization:		
Customer base	214	237
Amortized cost	$ 47	$ 24

b. In September 2002, Allot acquired the tangible and intangible assets of NetReality Ltd. ("NetReality"), an Israeli manufacturer of traffic management solutions, following NetReality's receivership proceedings filed with an Israeli court. Allot also recruited NetReality's employees.

In the framework of the acquisition, Allot assumed the commitment to pay royalties to the OCS up to the amount of the contingent liabilities deriving from the grants that had been received by NetReality from the OCS. Under the OCS agreement, grants should be repaid based on actual revenues generated by Allot. If no revenues are generated, the Company may file a request for a write off of the contingent liability as a result of a "Project Failure".

In consideration for the assets acquired and liability assumed, Allot granted NetReality's receiver a fully-vested warrant to purchase 48,267 of Series B preferred shares (with an exercise price of $0.02 per share), and undertook to pay royalties at the rate of the higher of (i) 7% from the sales of the NetReality products; or (ii) 1% of the total sales of Allot. The royalties were set to be paid over a period of five years from the date of the acquisition with a minimum of $1,000 and maximum of $ 2,500. The purchase price was valued at approximately $1,254, based on the fair value of the warrant granted, and the minimum commitment to pay royalties.

The acquisition was accounted for in accordance with Statement of Financial Accounting Standards No. 141, "Business Combination", using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and the liability assumed based on their fair value at the date of acquisition. The fair values of the identified intangible assets were established based on an independent

valuation study performed by a third-party specialist, Vega Consultants Ltd. The excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill.

c. Impairment of long-lived assets and goodwill in 2004 (see also Note 2i):

During the fourth quarter of 2004, Allot decided to cease the development and sale of NetReality's products, and to continue solely the provision of maintenance and support services.

Consequently, Allot performed a recoverability test on its long-lived assets associated with its NetReality products. As a result, Allot recorded a non-cash charge of $366 in accordance with SFAS No. 144. This impairment was recorded in operating expenses. Management considered current and anticipated industry conditions, recent changes in its business strategies, and current and anticipated operating results.

The composition of the impairment was as follows:

Technology(*)	$159
Customer base(*)	98
Trade name(*)	109
	$366

(*) Related to the purchase of certain assets of NetReality, in September 2002.

As part of the goodwill annual impairment test and in connection with the evaluation Allot performed in accordance SFAS 142, no goodwill impairment was deemed necessary. The fair value of Allot, the sole reporting unit identified, was estimated based on the financing investment made in Allot during 2004.

d. Amortization expenses for the years ended December 31, 2003, 2004 and 2005, were $172, $139 and $23, respectively.

NOTE 7:- BANK CREDIT LINES AND RELATED WARRANTS

Through October 2002, Allot was granted credit lines from Bank Hapoalim B.M. ("Hapoalim"), and United Mizrahi Bank Ltd. ("Mizrahi"). The term of the credit lines was through June 2005, and Allot has repaid all amounts withdrawn at that date.

In connection with the credit lines, Allot granted Hapoalim's affiliates and Mizrahi several warrants to purchase up to 176,212 Series B preferred shares of the Company at an exercise price of $ 7.945 per share. The term of the warrants is 12 years commencing on the original grant dates of the respective warrants.

Allot recorded the fair value of these warrants using the Black-Scholes Option Valuation Model.

See also Note 9d.

NOTE 8:- COMMITMENTS AND CONTINGENT LIABILITIES

a. Royalties:

1. The Company received research and development grants from the OCS.

The Company is participating in programs sponsored by the Israeli Government for the support of research and development activities. Currently, the Company is obligated to pay royalties to the OCS, amounting to 3.5% of the sales of products of the Company and other related revenues generated, up to 100% of the grants received, linked to the U.S. dollar and for grants received after January 1, 1999 also

bearing interest at the rate of LIBOR. The obligation to pay these royalties is contingent on actual sales of products of the Company and in the absence of such sales no payment is required.

Through December 31, 2005, the Company has paid or accrued royalties to the OCS in the amount of $2,747, which was recorded to cost of revenues.

As of December 31, 2005, the Company had an outstanding contingent obligation to pay royalties to the OCS in the amount of approximately $5,581. The Company also had an outstanding contingent obligation to pay royalties to the OCS in the amount of approximately $4,870, deriving from purchase of the operations of NetReality (see also Note 6b).

2. The Company undertook to pay royalties to the receiver of NetReality.

The financial statements include a liability in the amount of the present value of the minimum amount that will be paid to the receiver. See Note 6b.

b. Lease commitments:

In 1999, the Company leased office space in Hod Hasharon, Israel for a period ending in 2006. On February 13, 2006, the Company signed an agreement to rent new offices for a period of seven years, starting July 2006. The rental expenses are $39 per month and a management fee of costs plus 15% of the expenses incurred by the building management company as stipulated in the lease agreement.

The US subsidiary has one operating lease for office facilities in Eden Prairie, Minnesota. The lease expires on August 31, 2008. The lease provides for a base monthly rent, adjusted annually for cost of living increases.

The Company’s subsidiaries maintain smaller offices in Tokyo (Japan), Singapore, Sophia (France) and Madrid (Spain).

In addition, Allot signed motor vehicle operating lease agreements. The terms of the lease agreements range from 36 to 39 months.

Operating leases (offices and motor vehicles) expenses for the years ended December 31, 2003, 2004 and 2005, were $797, $950 and $1,116, respectively.

As of December 31, 2005, the aggregate future minimum lease obligations (offices and motor vehicles) under non-cancelable operating leases agreements were as follows:

Year ended December 31,	
2006	$ 766
2007	824
2008	656
2009	513
2010 and thereafter	1,612
	$4,371

c. Liens and charges:

1. The Company has a fixed lien on a NIS deposit of $62 (December 31, 2004 — $65) in respect of its lease commitments regarding its offices in Israel.

2. The Company placed a floating charge in favor of Hapoalim Bank Ltd., on all its property, its assets and insurance rights in their respect, in return for credit lines which Hapoalim Bank Ltd. has granted the Company. On October 11, 2006, Hapoalim Bank Ltd. removed the floating charge.

d. Other:

The Company is dependent upon single subcontractor for acquiring components and assembling Allot's products. The subcontractor maintains net supplier's inventory in accordance with Allot's selling forecasts. In the event that Allot terminates its business connection with the subcontractor, it will be have to compensate the subcontractor for certain inventory costs, as specified in the agreement with the subcontractor.

NOTE 9:- SHAREHOLDERS' EQUITY

a. On October 26, 2006, the Company's shareholders approved a 10-for-1 reverse share split by a way of consolidation of every 10 shares of each series of shares into one share of the same series and, accordingly, all shares (ordinary and preferred), options, warrants and earnings (losses) per share amounts were adjusted to reflect this reverse share split. Accordingly, all such amounts have been retroactively adjusted in these financial statements. Following such reverse share split, each share has a par value of NIS 0.1 instead of NIS 0.01.

Effective as of October 29, 2006, following the above shareholders' approval, the Company's Board of Directors approved, in accordance with the Company's Interim Articles of Association (as approved by the Company's shareholders on October 26, 2006), the following: (i) all ordinary shares, options to purchase ordinary shares and earnings (losses) per share amounts were adjusted to reflect a share dividend of approximately 1.275 ordinary shares for each ordinary share; and (ii) the conversion price of each Series A ordinary share and preferred share was adjusted to reflect such share dividend. Accordingly, all such amounts have been retroactively adjusted in these financial statements.

It was further resolved to increase the Company's registered share capital to NIS 20,000,000.

b. Composition of share capital:

	Authorized			Issued			Outstanding		
	December 31,		September 30,	December 31,		September 30,	December 31,		September 30,
	2004	2005	2006	2004	2005	2006	2004	2005	2006
			Unaudited			Unaudited			Unaudited
	Number of Shares								
Shares of NIS 0.01 par value:									
Ordinary shares(1)	6,980,782	6,980,782	8,028,632	2,178,807	2,455,326	2,546,678	2,178,807	2,455,326	2,546,678
Series A ordinary shares(2)	268,761	268,761	268,761	268,761	268,761	268,761	268,761	268,761	268,761
Series A preferred shares(3),(4)	776,562	776,562	776,562	776,562	776,562	776,562	668,205	668,205	668,205
Series B preferred shares(3)	2,998,942	2,998,942	2,998,942	2,706,236	2,706,236	2,706,236	2,706,236	2,706,236	2,706,236
Series C preferred shares(3)	89,826	89,826	89,826	89,826	89,826	89,826	89,826	89,826	89,826
Series D preferred shares(3)	785,145	785,145	785,145	785,145	785,145	785,145	785,145	785,145	785,145
Series E preferred shares(3)	—	—	452,157	—	—	452,157	—	—	452,157
	11,900,018	11,900,018	13,400,025	6,805,337	7,081,856	7,625,365	6,696,980	6,973,499	7,517,008

(1) Ordinary shares confer upon their holders the right to receive notice of, and participate and vote such shares in general meetings of the Company, the right to receive dividends, if and when declared and the right to receive the remaining assets of the Company upon liquidation or deemed liquidation (as defined in the Articles of Association of the Company), subject to the preference in the distribution thereof to the holders of preferred shares (as described below).

(2) Series A ordinary shares confer upon their holders the same rights as those conferred by ordinary shares, except that the Series A ordinary shares shall automatically be converted into ordinary shares immediately upon the closing of an IPO and are entitled to a weighted average anti-dilution protection in the event that the Company issues additional securities (other than certain excluded issuances) at a price per share, lower than the then applicable conversion price of the Series A ordinary shares, as defined in the Articles of Association of the Company.

(3) Preferred shares:

Conversion — Each preferred share is convertible, at the option of the holder of such share, at any time after the original issuance date of such share, into ordinary shares of the Company, as is determined by dividing the applicable original issuance price of such preferred share by the conversion price prevailing at the time of conversion. The initial conversion price per share for preferred shares shall be the original issuance price for such share, provided that the conversion price for the preferred shares shall be subject to adjustment as defined in the Articles of Association of the Company.

The preferred shares will automatically be converted into ordinary shares immediately upon the closing of an IPO.

The preferred shares are entitled to a "weighted average" anti-dilution protection, in the event that the Company issues additional securities (other than certain excluded issuances) at a price per share lower than the then applicable conversion price of the applicable series of the preferred shares, as defined in the Articles of Association of the Company.

Voting rights — The preferred shares shall vote together with the other shares of the Company, and not as a separate class, in all shareholders meetings, with each preferred share having votes in such number as if then converted into ordinary shares.

Liquidation preference — In the event of any liquidation of the Company, it shall distribute to the holders of preferred shares, in a descending order from Preferred E Series to Preferred A Series, prior to and in preference to any payments to any of the holders of any other classes of shares of the Company, a per share amount equal to the original issue price, plus an amount equal to all declared but unpaid dividends thereon (such preference may not apply in the event that the distributed assets exceed certain values as stated in the Articles of Association). The remaining assets of the Company then available for distribution shall be distributed among all the shareholders of the Company in a pro-rata distribution.

With respect to the Series C preferred shares, in the event of an IPO, if the price per share of the Company established for the purpose of the IPO, multiplied by the number of ordinary shares issuable upon the conversion of all of the Series C preferred shares, shall not yield to the holders of the Series C preferred shares (assuming the conversion of all of the preferred shares into ordinary shares) an amount equal to at least three times the applicable original issue price per each Series C preferred share, multiplied by the number of Series C preferred shares, then the conversion ratio for the Series C preferred shares shall be adjusted, as set forth in the Company's Articles of Association.

(4) Series A preferred shares held in trust:

108,357 Series A preferred shares, convertible into 246,479 ordinary shares, are held in trust for the benefit of the Chairman of the Company's Board pursuant to a right to purchase pending his payment of the full purchase price of approximately $600. For the purposes of calculating shareholders equity, the Company has not considered such Series A preferred shares to be outstanding because neither the Chairman of the Company's Board nor the trustee has voting or economic rights with respect to such shares. (See also Note 9d and Note 14.)

c. Stock option plans:

A summary of the Company's stock option activity, pertaining to its option plans for employees, and related information is as follows:

	Year Ended December 31,						Nine Months Ended September 30, 2006	
	2003		2004		2005		Unaudited	
	Number of Shares Upon Exercise	Weighted Average Exercise Price	Number of Shares Upon Exercise	Weighted Average Exercise Price	Number of Shares Upon Exercise	Weighted Average Exercise Price	Number of Shares Upon Exercise	Weighted Average Exercise Price
Outstanding at the beginning of the period	520,879	$ 0.95	1,707,831	$ 1.16	1,828,853	$ 1.17	2,309,141	$ 1.63
Granted	1,285,313	$ 1.27	167,912	$ 1.34	986,097	$ 2.24	1,076,404	$ 3.66
Forfeited	(78,841)	$ 1.8	(37,023)	$ 1.12	(229,290)	$ 1.42	(41,062)	$ 1.96
Exercised	(19,520)	$ 0.43	(9,867)	$ 1.07	(276,519)	$ 1.12	(91,352)	$ 0.61
Outstanding at the end of the period	1,707,831	$ 1.16	1,828,853	$ 1.17	2,309,141	$ 1.63	3,253,131	$ 2.28
Exercisable at the end of the period	461,976	$ 0.66	991,063	$ 0.97	996,665	$ 1.06	1,497,051	$ 1.40

Allot's employees have the ability, subject to a vesting period, to exercise stock options (i.e., remit cash consideration to the Company for the exercise price) in exchange for ordinary shares. The Company recognizes the consideration received for the exercise of the options into ordinary shares in shareholders' equity.

The options outstanding as of September 30, 2006 have been classified by exercise price, as follows (unaudited):

Exercise Price	Shares Upon Exercise of Options Outstanding as of September 30, 2006	Weighted Average Remaining Contractual Life Years	Shares Upon Exercise of Options Exercisable as of September 30, 2006
$5.930-5.934	35,267	9.90	—
$4.612-4.616	42,542	9.80	—
$4.167-4.176	246,835	9.68	—
$3.509-3.517	634,017	9.47	—
$2.237-2.242	1,049,811	8.56	382,975
$1.362-1.363	248,672	2.56	248,392
$1.228-1.231	861,202	6.70	731,004
$0.009	33,033	4.75	33,029
$0.00011	101,752	1.18	101,651
	3,253,131		1,497,051

The Company has three option plans under which outstanding options as of September 30, 2006, are as follows: (i) under the 1997 option plans, 896 options exercisable for 358,350 ordinary shares, and (ii) under the 2003 option plan, 2,894,781 options exercisable for 2,894,781 ordinary shares.

The options granted during the 12 months prior to December 31, 2005 have been classified by exercise price as follows:

Exercise Price	Grant Date	Fair Value of Ordinary Shares	Intrinsic Value	Number of Shares Upon Exercise
	January 26-			
$ 2.24	December 20, 2005	$ 2.24	$ —	986,097

The fair value assigned to the ordinary shares in order to calculate the compensation resulting from employee option grants, was determined primarily by management. In determining fair value, management has considered a number of factors, including independent valuations and appraisals.

The fair value of options granted in 2003, 2004 and 2005 was estimated at the date of grant using the Minimum Value Model option pricing model with the weighted average assumptions as described in Note 2n.

The weighted average exercise prices and fair values of options granted during the years ended December 31, 2003, 2004 and 2005 were as follows:

	Year Ended December 31,					
	2003		2004		2005	
	Weighted Average Fair Value	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Exercise Price
Lower than market price at date of grant	$ —	$ —	$ 0.2	$ 1.23	$ —	$ —
Equals market price at date of grant	$ 0.13	$ 1.23	$ —	$ —	$ 0.35	$ 2.24
Greater than market price at date of grant	$ (*)	$ 1.36	$ (*)	$ 2.24	$ —	$ —

(*) Less than $0.01.

d. The Company's outstanding rights, warrants and options to investors and others as of December 31, 2005, are as follows:

Issuance Date	Number of Shares to be Issued	Class of Shares	Exercise Price Per Share	Exercisable Through
January 1998(1)	108,357	Preferred A shares	$ 5.530	The earlier of a Liquidity Event and two years after an IPO (see Note 14)
November 2001(2)	6,196	Preferred B shares	$ 0.020	The closing of an IPO or an M&A transaction
April 2002(3)	9,099	Ordinary shares	$ 1.319	10 years
August 1999 - November 2002(4)	176,212	Preferred B shares	$ 7.945	The earlier of: (i) 12 months following the closing of an IPO (subject to certain exceptions) or an M&A transaction as stipulated in the warrant agreements, and (ii) August 2011 - November 2014 as applicable (refer also to Note 7)
September 2002(5)	48,267	Preferred B shares	$ 0.020	The closing of an IPO or an M&A transaction
March 1998(6)	4,550	Ordinary shares	$ 0.026	March 2008
January 1999(6)	9,099	Ordinary shares	$ 1.363	January 2009
July 2003(6)	54,593	Ordinary shares	$ 1.231	July 2013
May - September 2004(6)	17,516	Ordinary shares	$ 1.231	May - September 2015
July - December 2005(6)	98,950	Ordinary shares	$ 2.242	July - December 2015

(1) Right to purchase Series A preferred shares granted to the Chairman of the Board who also served as Chief Executive Officer at the time of the grant. The underlined Series A preferred shares are issued and held in trust for the benefit of the Chairman of the Board, pending his payment of the full purchase price of approximately $600. The Company does not consider these shares to be outstanding since, while these shares are held in trust, neither the Chairman of the Board nor the trustee have voting or economic rights with respect to such shares. (See Note 9b4 and Note 14.)

(2) Options granted to the Chairman of the Board.

(3) Issued as a donation to Tmura (An Israeli Public Service Venture Fund — Non profit organization).

The fair value of these options was estimated at the date of grant using the Black-Scholes Option Valuation Model with the following assumptions for April 2002: expected volatility of 0.6867, risk free interest rates of 5.2%, dividend yields of 0%, and the expected life of the options of 10 years.

(4) Issued to Hapoalim's affiliates and Mizrahi, in connection with credit line agreements. Certain of the warrants were granted prior to November 2002 and certain of their terms were amended at such date.

The fair value of these options was estimated at the date of grant using the Black-Scholes Option Valuation Model with the following weighted-average assumptions for November 2002: expected

volatility of 0.673-0.686, risk free interest rates of 3.93-4.22%, dividend yields of 0%, and a weighted-average expected life of the options of 8.82-12 years. The fair value was recorded as debt issuance cost and amortized over the term of the credit line agreements through financial expenses.

(5) In connection with the acquisition of NetReality's assets. See to Note 6b for further details.

(6) 184,708 options were granted to contractors in connection with products and services provided to the Company. All the options granted have a contractual life of 10 years and the exercised price was determined based on the period the options were granted.

NOTE 10:- TAXES ON INCOME

a. Tax benefits under Israel's Law for the Encouragement of Capital Investments, 1959 (the "Law"):

The facilities of the Company have been granted a status of an "Approved Enterprise" under the Law. According to the provisions of the Law, the Company's income is tax-exempt for a period of two years commencing with the year it first earns taxable income, and subject to corporate taxes at the reduced rate of 10% to 25%, for an additional period of five to eight years (depending upon the level of foreign ownership of the Company). The benefit period has not yet commenced.

The period of tax benefits, detailed above, is limited to the earlier of 12 years from the commencement of production (in 2000), or 14 years from the approval date, (December 8, 1998), (the limitation on the number of years does not apply to the exemption period).

The entitlement to the above benefits is conditional upon the fulfilling of the conditions stipulated by the above Law, regulations published there under and the letter of approval for the specific investment. In the event of failure to comply with these conditions, the benefits may be canceled and the Company may be required to refund the amount of the benefits, in whole or in part, including interest. As of December 31, 2005, management believes that the Company is meeting the aforementioned conditions.

The tax-exempt income attributable to the "Approved Enterprises" can be distributed to shareholders, without subjecting the Company to taxes, only upon the complete liquidation of the Company. If this retained tax-exempt income is distributed in a manner other than a complete liquidation of the Company, it would be taxed at the corporate tax rate applicable to such profits as if the Company had not elected the alternative tax benefits track (currently between 10% to 25% for an "Approved Enterprise").

The Company currently has no plans to distribute dividends and intends to retain future earnings to finance the development of its business.

Income from sources other than the "Approved Enterprise" during the benefit period will be subject to tax at the regular corporate tax rate.

On April 1, 2005, an amendment to the Investment Law came into effect (the "Amendment") and has significantly changed the provisions of the Investment Law. The Amendment limits the scope of enterprises which may be approved by the Investment Center by setting criteria for the approval of a facility as an Approved Enterprise, such as provisions generally requiring that at least 25% of the Approved Enterprise's income will be derived from export. Additionally, the Amendment enacted major changes in the manner in which tax benefits are awarded under the Investment Law so that companies no longer require Investment Center approval in order to qualify for tax benefits.

However, the Investment Law provides that terms and benefits included in any certificate of approval already granted will remain subject to the provisions of the Law as they were on the date of such approval. Therefore the Company's existing Approved Enterprise will generally not be subject to the provisions of the Amendment.

b. Pre-tax income (loss) is comprised as follows:

	Year Ended December 31,		
	2003	2004	2005
Domestic	$ (2,426)	$ (3,354)	$ (2,867)
Foreign	148	69	273
	$ (2,278)	$ (3,285)	$ (2,594)

c. A reconciliation of the theoretical tax expenses, assuming all income is taxed at the statutory tax rate applicable to the income of the Company and the actual tax expenses is as follows:

	Year Ended December 31,		
	2003	2004	2005
Loss before taxes on income	$ (2,278)	$ (3,285)	$ (2,594)
Theoretical tax benefit computed at the statutory tax rate (36%, 35% and 34% for the years 2003, 2004 and 2005, respectively)	$ (820)	$ (1,150)	$ (882)
Tax exemption due to “Approved Enterprise”	843	1,107	886
Change in valuation allowance	272	11	(283)
Non-deductible expenses and other	(293)	35	61
Actual tax expenses (benefit)	$ 2	$ 3	$ (218)

d. Net operating losses carryforwards:

The Company has accumulated losses for tax purposes as of December 31, 2005, in the amount of approximately $20,500, which may be carried forward and offset against taxable income in the future for an indefinite period. The Company expects that during the period in which these tax losses are utilized its income would be substantially tax exempt. Accordingly, there will be no tax benefit available from such losses and no deferred income taxes have been included in these financial statements.

As of December 31, 2005, the U.S. subsidiary had no U.S. net operating loss carryforward for income tax purposes.

e. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company’s deferred income tax are as follows:

	December 31,	
	2004	2005
Deferred tax assets:		
Operating loss carry forward	$ 1,614	$ 947
Reserves and allowances	283	281
Deferred tax asset before valuation allowance	1,897	1,228
Valuation allowance	(1,897)	(947)
Net deferred tax asset	$ —	$ 281

Management currently believes that since one of the Company’s subsidiaries has a history of losses, it is more likely than not that the deferred tax assets relating to the loss carryforwards and other temporary differences of that subsidiary will not be realized in the foreseeable future.

f. Israeli tax rates:

Until December 31, 2003, the regular tax rate applicable to income of companies (which are not entitled to benefits due to "Approved Enterprise", as described above) was 36%. In September 2004 and in July 2005, the "Knesset" (Israeli parliament) passed amendments to the Income Tax Ordinance (No. 140 and Temporary Provision), 2004 and (No. 147), 2005 respectively, which determine, among other things, that the corporate tax rate is to be gradually reduced to the following tax rates: 2004 — 35%, 2005 — 34%, 2006 — 31%, 2007 — 29%, 2008 — 27%, 2009 — 26% and 2010 and thereafter — 25%.

g. Income taxes for the nine months ended September 30, 2006 (unaudited):

Allot has recorded $75 tax expense during the nine months ended September 30, 2006.

h. Tax assessments:

The Company has final tax assessments through the year 2001.

NOTE 11:- NET EARNINGS (LOSSES) PER SHARE

The following table sets forth the computation of the basic and diluted net earnings (loss) per share:

a. Numerator:

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				Unaudited	
Net income (loss) as reported	$ (2,280)	$ (3,288)	$ (2,376)	$ (2,717)	$ 563

b. Denominator:

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
				Unaudited	
Weighted average number of ordinary shares	2,774,639	2,787,554	2,943,500	2,903,356	(*)13,310,355
Denominator for basic net losses per share of ordinary shares	2,774,639	2,787,554	2,943,500	2,903,356	(*)13,310,355
Effect of dilutive securities:					
Employee stock options and warrants	(**)	(**)	(**)	(**)	2,191,343
Denominator for diluted net earnings (losses) per share of ordinary shares	2,774,639	2,787,554	2,943,500	2,903,356	15,501,698

(*) Includes 10,220,632 preferred shares on an as-converted basis.

(**) Anti-dilutive.

NOTE 12:- GEOGRAPHIC INFORMATION

Allot operates in a single reportable segment (see Note 1). Revenues are based on the customer's location:

	Year Ended December 31,		
	2003	2004	2005
United Kingdom	$ 750	$ 2,116	$ 5,781
Europe (excluding United Kingdom)	3,590	4,699	4,916
MEA (Middle East and Africa)	458	716	831
United States of America	5,654	6,439	6,563
Americas (excluding United States of America)	1,675	555	842
AO (Asia and Oceania)	2,648	3,560	4,039
	$14,775	$18,085	$22,972

The following presents total long-lived assets as of December 31, 2004 and 2005:

	December 31,	
	2004	2005
Long-lived assets:		
Israel	$1,329	$1,462
United States of America	158	210
Other	14	38
	$1,501	$1,710

NOTE 13:- FINANCIAL AND OTHER INCOME (EXPENSES)

	Year Ended December 31,		
	2003	2004	2005
Financial and other income:			
Interest income	$ 43	$ 92	$204
Foreign currency transactions differences	—	58	—
Capital gain	—	3	—
Financial and other expenses:			
Interest expenses	(92)	(76)	(71)
Amortization of discount on bank credit-line	(397)	(318)	(50)
Foreign currency transactions differences	(33)	—	(32)
Capital loss	(28)	—	(6)
	$(507)	$(241)	$ 45

NOTE 14:- SUBSEQUENT EVENTS

In October 2006, the Company's shareholders and Board of Directors approved an amendment to the escrow agreement with the Chairman of the Board regarding the 108,357 Series A preferred shares that are held in trust for his benefit as described in Note 9a. According to the amendment, if the right is not exercised prior to the earlier of a Liquidity Event as defined in the escrow agreement, or two years following the closing of an IPO, the right and the underlying Series A preferred shares will be forfeited. It was further approved that the Chairman of the Board has the right to pay for any portion of the shares by "net payment" of his right to purchase such shares.

6,500,000 Shares

Ordinary Shares

PROSPECTUS
, 2006

LEHMAN BROTHERS

DEUTSCHE BANK SECURITIES

CIBC WORLD MARKETS

RBC CAPITAL MARKETS

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. ***Indemnification of Directors, Officers and Employees***

Under the Israeli Companies Law, an Israeli company may indemnify an office holder in respect of certain liabilities either in advance of an event or following an event provided a provision authorizing such indemnification is inserted in its articles of association. Our articles of association contain such an authorization. An undertaking provided in advance by an Israeli company to indemnify an office holder with respect to a financial liability imposed on him or her in favor of another person pursuant to a judgment, settlement or arbitrator's award approved by a court must be limited to events which in the opinion of the board of directors can be foreseen based on the company's activities when the undertaking to indemnify is given, and to an amount or a criteria determined by the board of directors as reasonable under the circumstances, and such undertaking must detail the above mentioned events and amount or criteria. In addition, a company may undertake in advance to indemnify an office holder against the following liabilities incurred for acts performed as an office holder:

- reasonable litigation expenses, including attorneys' fees, incurred by the office holder as a result of an investigation or proceeding instituted against him or her by an authority authorized to conduct such investigation or proceeding, provided that (i) no indictment was filed against such office holder as a result of such investigation or proceeding; and (ii) no financial liability, such as a criminal penalty, was imposed upon him or her as a substitute for the criminal proceeding as a result of such investigation or proceeding or, if such financial liability was imposed, it was imposed with respect to an offense that does not require proof of criminal intent; and
- reasonable litigation expenses, including attorneys' fees, incurred by the office holder or imposed by a court in proceedings instituted against him or her by the company, on its behalf or by a third party or in connection with criminal proceedings in which the office holder was acquitted or as a result of a conviction for an offense that does not require proof of criminal intent.

An Israeli company may insure an office holder against the following liabilities incurred for acts performed as an office holder:

- a breach of duty of loyalty to the company, to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care to the company or to a third party, including a breach arising out of the negligent conduct of the office holder; and
- a financial liability imposed on the office holder in favor of a third party.

An Israeli company may not indemnify or insure an office holder against any of the following:

- a breach of duty of loyalty, except to the extent that the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach of duty of care committed intentionally or recklessly, excluding a breach arising out of the negligent conduct of the office holder;
- an act or omission committed with intent to derive illegal personal benefit; or
- a fine levied against the office holder.

Under the Companies Law, exculpation, indemnification and insurance of office holders must be approved by our audit committee and our board of directors and, in respect of our directors, by our shareholders.

Our articles of association allow us to indemnify and insure our office holders to the fullest extent permitted by the Companies Law. Our office holders are currently covered by a directors and officers' liability insurance policy. As of the date of this offering, no claims for directors and officers' liability insurance have

been filed under this policy and we are not aware of any pending or threatened litigation or proceeding involving any of our directors or officers in which indemnification is sought.

We have entered into agreements with each of our directors and office holders exculpating them, to the fullest extent permitted by law, from liability to us for damages caused to us as a result of a breach of duty of care, and undertaking to indemnify them to the fullest extent permitted by law, including with respect to liabilities resulting from this offering. This indemnification is limited to events determined as foreseeable by the board of directors based on our activities, and to an amount or according to criteria determined by the board of directors as reasonable under the circumstances, and the insurance is subject to our discretion depending on its availability, effectiveness and cost. The current maximum amount set forth in such agreements is the greater of (1) with respect to indemnification in connection with a public offering of our securities, the gross proceeds raised by us and/or any selling shareholder in such public offering, and (2) with respect to all permitted indemnification, including a public offering of our securities, an amount equal to 50% of the our shareholders' equity on a consolidated basis, based on our most recent financial statements made publicly available before the date on which the indemnity payment is made.

In the opinion of the U.S. Securities and Exchange Commission, however, indemnification of directors and office holders for liabilities arising under the Securities Act is against public policy and therefore unenforceable.

Item 7. ***Recent Sales of Unregistered Securities***

The following is a summary of transactions during the proceeding three fiscal years involving sales of our securities that were not registered under the Securities Act. The following share numbers reflect to a 4.3962-for-1 reverse share split effected on October 29, 2006 (such reverse share split was effected through a 10-for-1 consolidation of each series of our ordinary and preferred shares, followed by a share dividend of approximately 1.275 ordinary shares for each ordinary share outstanding and an adjustment to the ordinary share conversion ratio of our preferred shares and Series A ordinary shares):

(a) On August 24, 2004, we issued Series D preferred shares convertible into 1,785,961 ordinary shares. The price per underlying ordinary share was approximately $4.49 and the aggregate consideration received was $8.0 million.

(b) On May 18, 2006, we issued an aggregate of Series E preferred shares convertible into 1,028,517 ordinary shares. The price per underlying ordinary share was approximately $5.35 and the aggregate consideration received was $5.5 million.

We believe that the issuance of the above-referenced securities was exempt from registration under the Securities Act because they were made outside of the United States to certain non-U.S. individuals or entities or in reliance upon the exemption from registration provided under Section 4(2) of the Securities Act and the regulations promulgated thereunder.

As of September 30, 2006, a total of 674,122 ordinary shares have been issued upon the exercise of share options granted to our and our subsidiaries' directors, employees and consultants.

We believe that the issuance of these options was exempt from registration under the Securities Act because they were made pursuant to Regulation S there under or pursuant to exemptions from registration provided under Section 4(2) of the Securities Act and/or Rule 701 and the regulations promulgated thereunder.

No underwriter or underwriting discount or commission was involved in any of the transactions set forth in Item 7.

Item 8. ***Exhibits and Financial Statement Schedules***

(a) Exhibits

The following is a list of exhibits filed as a part of this registration statement:

1.1	Form of Underwriting Agreement.
3.1	Memorandum of Association of the Registrant.
3.2	Articles of Association of the Registrant.
3.3	Form of Articles of Association of the Registrant to become effective upon closing of this offering.
4.1	Specimen share certificate.
5.1	Opinion of Ori Rosen & Co., Israeli counsel to the Registrant, as to the validity of the ordinary shares (including consent).
10.1	Share Purchase Agreement, dated August 24, 2004, by and among the parties thereto and the Registrant.
10.2	Share Purchase Agreement, dated May 18, 2006, by and among the parties thereto and the Registrant.
10.3	Second Amended and Restated Investors Rights Agreement, dated October 26, 2006, by and among the parties thereto and the Registrant.
10.4	Non-Competition Agreement, dated August 24, 2004, by and among Odem Rotem Holdings Ltd., Yigal Jacoby and the Registrant.
10.5	Experteam Training Services Proposal, dated as of March 2006, by Experteam to the Registrant.
10.6	Escrow Agreement, dated January 28, 1998 by and among Yigal Jacoby, Ravillan Benzur & Co., Law Offices and the Registrant; Escrow Letter of Resignation and Appointment, dated January 31, 2004 by and among Yigal Jacoby, Yolovelsky, Dinstein, Sneh & Co. and the Registrant; and Assignment of Escrow Agreement, dated May 21, 2006 by and among Yodan Trust Company Ltd., Oro Trust Company Ltd., Yigal Jacoby and the Registrant.
10.7	Warrant to Purchase Series C-1 Shares, dated November 27, 2001, by and between the Company and Yigal Jacoby.
10.8	Manufacturing Agreement, dated September 4, 2002, by and between the R.H. Electronics Ltd. and the Registrant.†
10.9	Non-Stabilized Lease Agreement, dated February 13, 2006, by and among, Aderet Hod Hasharon Ltd., Miritz, Inc., Leah and Israel Ruben Assets Ltd., Tamar and Moshe Cohen Assets Ltd., Drish Assets Ltd., S. L. A. A. Assets and Consulting Ltd., Iris Katz Ltd., Y. A. Groder Investments Ltd., Ginotel Hod Hasharon 2000 Ltd. and Allot Communications Ltd.
10.10	Key Employees of Subsidiaries and Consultants Share Incentive Plan (1997).
10.11	Key Employees Share Incentive Plan (1997).
10.12	Key Employee Share Incentive Plan (2003).
10.13	Form of Option Grant Letter.
10.14	Form of Option Grant Letter for Senior Employees.
10.15	2006 Incentive Compensation Plan.
10.16	Form of Director and Officer Letter of Indemnification.
10.17	Addendum, dated October 26, 2006, to Escrow Agreement, dated January 28, 1998, by and between Yigal Jacoby and the Registrant.
21.1	List of subsidiaries of the Registrant.
23.1	Consent of Kost, Forer, Gabbay and Kasierer, a member of Ernst & Young Global.
23.2	Consent of Ori Rosen & Co., Israeli counsel to the Registrant (included in Exhibit 5.1).
23.3	Consent of BDO Ziv Haft Consulting & Management Ltd.
23.4	Consent of Vega Consultants Ltd.
24.1	Powers of Attorney (included in signature page to Registration Statement).

† Portions of this exhibit were omitted and have been filed separately with the Secretary of the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment under Rule 406 of the Securities Act.

(b) Financial Statement Schedules

All schedules have been omitted because either they are not required, are not applicable or the information is otherwise set forth in the consolidated financial statements and related notes thereto.

Item 9. ***Undertakings***

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 6 hereof, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes:

(1) To provide the underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) That for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(3) That for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hod Hasharon, State of Israel on this day of October 31, 2006.

ALLOT COMMUNICATIONS LTD.

By: /s/ RAMI HADAR
Rami Hadar
Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTED, that each director and officer of ALLOT COMMUNICATIONS LTD. whose signature appears below hereby appoints Yigal Jacoby, Rami Hadar and Adi Sapir, and each of them severally, acting alone and without the other, his/her true and lawful attorney-in-fact with full power of substitution or re-substitution, for such person and in such person's name, place and stead, in any and all capacities, to sign on such person's behalf, individually and in each capacity stated below, any and all amendments, including post-effective amendments to this Registration Statement, and to sign any and all additional registration statements relating to the same offering of securities of the Registration Statement that are filed pursuant to Rule 462(b) of the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Name	Title	Date
/s/ RAMI HADAR Rami Hadar	Chief Executive Officer and President (Principal Executive Officer)	October 31, 2006
/s/ ADI SAPIR Adi Sapir	Chief Financial Officer (Principal Financial and Accounting Officer)	October 31, 2006
/s/ YIGAL JACOBY Yigal Jacoby	Chairman	October 31, 2006
/s/ YOSSI SELA Yossi Sela	Director	October 31, 2006
/s/ EYAL KISHON Eyal Kishon	Director	October 31, 2006

Name	Title	Date
/s/ SHAI SAUL Shai Saul	Director	October 31, 2006
/s/ EREL MARGALIT Erel Margalit	Director	October 31, 2006
/s/ YOSI ELIHAV Yosi Elihav	Director	October 31, 2006

ALLOT COMMUNICATIONS, INC. United States Representative

By: /s/ RAMI HADAR
Name: Rami Hadar
Title: Director,
Allot Communications, Inc.

EXHIBIT INDEX

1.1	Form of Underwriting Agreement.
3.1	Memorandum of Association of the Registrant.
3.2	Articles of Association of the Registrant.
3.3	Form of Articles of Association of the Registrant to become effective upon closing of this offering.
4.1	Specimen share certificate.
5.1	Opinion of Ori Rosen & Co., Israeli counsel to the Registrant, as to the validity of the ordinary shares (including consent).
10.1	Share Purchase Agreement, dated August 24, 2004, by and among the parties thereto and the Registrant.
10.2	Share Purchase Agreement, dated May 18, 2006, by and among the parties thereto and the Registrant.
10.3	Second Amended and Restated Investors Rights Agreement, dated October 26, 2006, by and among the parties thereto and the Registrant.
10.4	Non-Competition Agreement, dated August 24, 2004, by and among Odem Rotem Holdings Ltd., Yigal Jacoby and the Registrant.
10.5	Experteam Training Services Proposal, dated as of March 2006, by Experteam to the Registrant.
10.6	Escrow Agreement, dated January 28, 1998 by and among Yigal Jacoby, Ravillan Benzur & Co., Law Offices and the Registrant; Escrow Letter of Resignation and Appointment, dated January 31, 2004 by and among Yigal Jacoby, Yolovelsky, Dinstein, Sneh & Co. and the Registrant; and Assignment of Escrow Agreement, dated May 21, 2006 by and among Yodan Trust Company Ltd., Oro Trust Company Ltd., Yigal Jacoby and the Registrant.
10.7	Warrant to Purchase Series C-1 Shares, dated November 27, 2001, by and between the Company and Yigal Jacoby.
10.8	Manufacturing Agreement, dated September 4, 2002, by and between the R.H. Electronics Ltd. and the Registrant.†
10.9	Non-Stabilized Lease Agreement, dated February 13, 2006, by and among, Aderet Hod Hasharon Ltd., Miritz, Inc., Leah and Israel Ruben Assets Ltd., Tamar and Moshe Cohen Assets Ltd., Drish Assets Ltd., S. L. A. A. Assets and Consulting Ltd., Iris Katz Ltd., Y. A. Groder Investments Ltd., Ginotel Hod Hasharon 2000 Ltd. and Allot Communications Ltd.
10.10	Key Employees of Subsidiaries and Consultants Share Incentive Plan (1997).
10.11	Key Employees Share Incentive Plan (1997).
10.12	Key Employee Share Incentive Plan (2003).
10.13	Form of Option Grant Letter.
10.14	Form of Option Grant Letter for Senior Employees.
10.15	2006 Incentive Compensation Plan.
10.16	Form of Director and Officer Letter of Indemnification.
10.17	Addendum, dated October 26, 2006, to Escrow Agreement, dated January 28, 1998, by and between Yigal Jacoby and the Registrant.
21.1	List of subsidiaries of the Registrant.
23.1	Consent of Kost, Forer, Gabbay and Kasierer, a member of Ernst & Young Global.
23.2	Consent of Ori Rosen & Co., Israeli counsel to the Registrant (included in Exhibit 5.1).
23.3	Consent of BDO Ziv Haft Consulting & Management Ltd.
23.4	Consent of Vega Consultants Ltd.
24.1	Powers of Attorney (included in signature page to Registration Statement).

† Portions of this exhibit were omitted and have been filed separately with the Secretary of the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment under Rule 406 of the Securities Act.

Exhibit 1.1

• ***Shares***

ALLOT COMMUNICATIONS LTD.

Ordinary Shares, nominal value NIS 0.10

UNDERWRITING AGREEMENT

[*Insert date*]

LEHMAN BROTHERS INC.
As Representative of the several
Underwriters named in Schedule 1 attached hereto,
c/o Lehman Brothers Inc.
745 Seventh Avenue
New York, New York 10019

Ladies and Gentlemen:

Allot Communications Ltd., a company organized under the laws of the State of Israel (the "**Company**"), proposes to sell an aggregate of • Ordinary Shares (the "**Firm Shares**"), nominal value NIS 0.10 per share, of the Company (the "**Ordinary Shares**"). The Company proposes to grant to the underwriters (the "**Underwriters**") named in Schedule 1 attached to this agreement (this "**Agreement**") an option to purchase up to • additional Ordinary Shares on the terms set forth in Section 2 (the "**Option Shares**"). The Firm Shares and, if purchased, the Option Shares, are hereinafter collectively called the "**Shares**." This is to confirm the agreement concerning the purchase of the Shares from the Company by the Underwriters.

1. *Representations, Warranties and Agreements of the Company*. The Company represents, warrants and agrees that:

(a) A registration statement on Form F-1 relating to the Shares has (i) been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), and the rules and regulations (the "**Rules and Regulations**") of the Securities and Exchange Commission (the "**Commission**") thereunder; (ii) been filed with the Commission under the Securities Act; and (iii) become effective under the Securities Act. Copies of such registration statement and any amendment thereto have been delivered by the Company to you as the representative (the "**Representative**") of the Underwriters. As used in this Agreement:

(i) "**Applicable Time**" means [ ] [a.m.] [p.m.] (New York City time) on _____ __, 2006;

(ii) "**Effective Date**" means the date and time as of which such registration statement, or the most recent post-effective amendment thereto, was declared effective by the Commission;

(iii) "**Issuer Free Writing Prospectus**" means each "issuer free writing prospectus" (as defined in Rule 433 of the Rules and Regulations) prepared by or on behalf of the Company or used or referred to by the Company in connection with the offering of the Shares;

(iv) "**Preliminary Prospectus**" means any preliminary prospectus relating to the Shares included in such registration statement or filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations;

(v) "**Pricing Disclosure Package**" means, as of the Applicable Time, the most recent Preliminary Prospectus, together with each Issuer Free Writing Prospectus filed or used by the Company on or before the Applicable Time, other than a road show that is an Issuer Free Writing Prospectus but is not required to be filed under Rule 433 of the Rules and Regulations.

(vi) "**Prospectus**" means the final prospectus relating to the Shares, as filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations; and

(vii) "**Registration Statement**" means such registration statement, as amended as of the Effective Date, including any Preliminary Prospectus or the Prospectus and all exhibits to such registration statement.

Any reference to the "**most recent Preliminary Prospectus**" shall be deemed to refer to the latest Preliminary Prospectus included in the Registration Statement or filed pursuant to Rule 424(b) prior to or on the date hereof. Any reference herein to the term "**Registration Statement**" shall be deemed to include the abbreviated registration statement to register additional Ordinary Shares under Rule 462(b) of the Rules and Regulations, if any (the "**Rule 462(b) Registration Statement**"). The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending the effectiveness of the Registration Statement, and no proceeding or examination for such purpose has been instituted or, to the Company's knowledge, threatened by the Commission.

(b) The Company was not at the time of initial filing of the Registration Statement and at the earliest time thereafter that the Company or another offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) of the Rules and Regulations) of the Shares, is not on the date hereof and will not be on the applicable Delivery Date (as defined below) an "ineligible issuer" (as defined in Rule 405).

(c) The Registration Statement conformed and will conform in all material respects on the Effective Date and on the applicable Delivery Date, and any amendment to the Registration Statement filed after the date hereof will conform in all material respects when filed, to the requirements of the Securities Act and the Rules and Regulations. The Preliminary Prospectus conformed, and the Prospectus will conform, in all material respects when filed with the Commission pursuant to Rule 424(b) and on the

applicable Delivery Date to the requirements of the Securities Act and the Rules and Regulations.

(d) The Registration Statement did not, as of the Effective Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Registration Statement in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e).

(e) The Prospectus will not, as of its date and on the applicable Delivery Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Prospectus in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e).

(f) The Pricing Disclosure Package did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading except that the price of the Shares and disclosures relating directly thereto will be included on the cover page of the Prospectus; *provided* that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package in reliance upon and in conformity with written information furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information is specified in Section 8(e).

(g) Each Issuer Free Writing Prospectus (including without limitation, any road show that is a free writing prospectus under Rule 433) when considered together with the Pricing Disclosure Package as of the Applicable Time, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the price of the Shares and disclosures directly relating thereto will be included on the cover page of the Prospectus.

(h) Each Issuer Free Writing Prospectus conformed or will conform in all material respects to the requirements of the Securities Act and the Rules and Regulations as of the date of first use or as otherwise provided for in Rule 433, and the Company has complied with all prospectus delivery and any filing requirements applicable to such Issuer Free Writing Prospectus pursuant to the Rules and Regulations. The Company has not made any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representative[, except as set forth on Schedule 2 hereto]. The Company has retained in accordance with the Rules and

Regulations all Issuer Free Writing Prospectuses that were not required to be filed pursuant to the Rules and Regulations. The Company has taken all actions on its part necessary so that any "road show" (as defined in Rule 433 of the Rules and Regulations), or its equivalent with respect to presentations in the State of Israel, in connection with the offering of the Shares will not be required to be filed pursuant to the Rules and Regulations.

(i) The Company has been duly incorporated and is validly existing under the laws of the State of Israel, is duly qualified to do business in each jurisdiction in which its ownership or lease of property or the conduct of its businesses requires such qualification, and has all power and authority necessary to own or hold its properties and to conduct the businesses in which it is engaged, except where the failure to be so qualified, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the condition (financial or otherwise), results of operations, shareholders' equity, properties, business or prospects of the Company and its subsidiaries taken as a whole (a "**Material Adverse Effect**"). No proceeding has been instituted by the Registrar of Companies in Israel for the dissolution of the Company. Each of the Company's subsidiaries (as defined in Section 17) has been duly organized, is validly existing and in good standing, where applicable, as a corporation or other business entity under the laws of its jurisdiction of organization and is duly qualified to do business and in good standing, where applicable, as a foreign corporation or other business entity in each jurisdiction in which its ownership or lease of property or the conduct of its businesses requires such qualification, except where the failure to be so qualified or in good standing would not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Each subsidiary of the Company has all power and authority necessary to own or hold its respective properties and to conduct the businesses in which it is engaged. The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed in Exhibit 21 to the Registration Statement. None of the subsidiaries of the Company (other than Allot Communications, Inc. and Allot Communications Europe SARL) is a "significant subsidiary" (as defined in Rule 405 of the Rules and Regulations).

(j) The Company has an authorized capitalization as set forth in each of the most recent Preliminary Prospectus and the Prospectus, and all of the issued shares of the Company have been duly authorized and validly issued and, except as set forth in the most recent Preliminary Prospectus, are fully paid and non-assessable, conform to the description thereof contained in each of the most recent Preliminary Prospectus and the Prospectus and were issued in compliance with federal and state securities laws, including the laws of the State of Israel, and not in violation of any preemptive right, resale right, right of first refusal or similar right. All of the Company's options, warrants and other rights to purchase or exchange any securities for Ordinary Shares have been duly authorized and validly issued, conform to the description thereof contained in each of the most recent Preliminary Prospectus and the Prospectus and were issued in compliance with the laws of the State of Israel. All of the issued shares of capital stock of each subsidiary of the Company have been duly authorized and validly issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens,

encumbrances, equities or claims as could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(k) The Shares to be issued and sold by the Company to the Underwriters hereunder have been duly authorized and, upon payment and delivery in accordance with this Agreement, will be validly issued, fully paid and non-assessable, will conform to the description thereof contained in each of the most recent Preliminary Prospectus and the Prospectus, will be issued in compliance with federal and state securities laws, including the laws of the State of Israel, and will be free of statutory and contractual preemptive rights, rights of first refusal and similar rights.

(l) The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Company.

(m) The execution, delivery and performance of this Agreement by the Company, the consummation of the transactions contemplated hereby and the application of the proceeds from the sale of the Shares as described under "Use of Proceeds" in each of the most recent Preliminary Prospectus and the Prospectus will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, impose any lien, charge or encumbrance upon any property or assets of the Company and its subsidiaries, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, license or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject; (ii) result in any violation of the provisions of the Articles of Association or Memorandum of Association of the Company or charter or by-laws (or similar organizational documents) of any of its subsidiaries; or (iii) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets; except, in the case of clauses (i) and (ii), for such conflicts, breaches, violations or defaults as would not reasonably be expected to have a Material Adverse Effect.

(n) No consent, approval, authorization or order of, or filing or registration with, any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets is required for the execution, delivery and performance of this Agreement by the Company, the consummation of the transactions contemplated hereby, the application of the proceeds from the sale of the Shares as described under "Use of Proceeds" in each of the most recent Preliminary Prospectus and the Prospectus, except for (i) the registration of the Shares under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and applicable state or foreign securities laws, including Israeli securities law, in connection with the purchase and sale of the Shares by the Underwriters or (ii) under the rules and regulations of the National Association of Securities Dealers, Inc. ("**NASD**"). Subject to the Underwriters' compliance with their obligations in Section

3 hereof, the Company is not required to publish a prospectus in Israel under the laws of the State of Israel.

(o) Except as identified in the most recent Preliminary Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right (other than rights which have been waived in writing or otherwise satisfied) to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act.

(p) The Company has not sold or issued any securities that would be integrated with the offering of the Shares contemplated by this Agreement pursuant to the Securities Act, the Rules and Regulations or the interpretations thereof by the Commission, nor has the Company issued or offered any Ordinary Shares or securities convertible or exercisable into Ordinary Shares to any persons during the 12 months preceding the date of the Delivery Date, other than (i) as described in the Prospectus or (ii) the issuance of options pursuant to the Company's stock option plans or the issuance of Ordinary Shares pursuant to the exercise of such options.

(q) The Company does not have outstanding any debt securities or preferred stock that are rated by any "nationally recognized statistical rating organization" (as that term is defined by the Commission for purposes of Rule 436(g)(2) of the Rules and Regulations).

(r) Neither the Company nor any of its subsidiaries has sustained, since the date of the latest audited financial statements included in the most recent Preliminary Prospectus, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, and since such date, except as described in the most recent Preliminary Prospectus, there has not been any change in the share capital of the Company (other than (i) the grant of stock options pursuant to the Company's stock option plans described in the most recent Preliminary Prospectus or (ii) the exercise of outstanding options, convertible securities, warrants or other rights described in the most recent Preliminary Prospectus) or long-term debt of the Company or any of its subsidiaries or any adverse change, or any development involving a prospective adverse change, in or affecting the condition (financial or otherwise), results of operations, shareholders' equity, properties, management, business or prospects of the Company and its subsidiaries taken as a whole, in each case except as would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(s) Since the date as of which information is given in the most recent Preliminary Prospectus, and except as may otherwise be disclosed therein, the Company has not (i) issued or granted any securities other than the grant of options or the exercise

of outstanding options pursuant to the Company's stock option plans, (ii) incurred any liability or obligation, direct or contingent, other than liabilities and obligations that were incurred in the ordinary course of business, (iii) entered into any material transaction not in the ordinary course of business, (iv) purchased any shares of its outstanding share capital or (v) declared or paid any dividend on its share capital.

(t) The historical consolidated financial statements of the Company (including the related notes and supporting schedules) included in the most recent Preliminary Prospectus comply as to form in all material respects with the requirements of Regulation S-X under the Securities Act and present fairly in all material respects the financial condition, results of operations and cash flows of the entities purported to be shown thereby at the dates and for the periods indicated and have been prepared in conformity with accounting principles generally accepted in the United States applied on a consistent basis throughout the periods involved.

(u) Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, who has certified certain financial statements of the Company and its consolidated subsidiaries, whose report appears in the most recent Preliminary Prospectus and who has delivered the initial letter referred to in Section 7(i) hereof, are an independent registered public accounting firm as required by the Securities Act and the Rules and Regulations.

(v) The Company and each of its subsidiaries have good and marketable title to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects, except such as are described in the most recent Preliminary Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and all assets held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions as do not materially interfere with the use made and proposed to be made of such assets by the Company and its subsidiaries.

(w) The Company and each of its subsidiaries carry, or are covered by, insurance from insurers of recognized financial responsibility in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar businesses in similar industries. All policies of insurance of the Company and its subsidiaries are in full force and effect, except where the failure to be in full force and effect would not reasonably be expected to have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms of such policies in all material respects; and neither the Company nor any of its subsidiaries has received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance; there are no claims by the Company or any of its subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause, except where such claims would not, in the aggregate, reasonably be expected to have a Material Adverse Effect; and neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance

coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not reasonably be expected to have a Material Adverse Effect.

(x) The statistical and market-related data included under the captions “Summary,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations, and “Business” in the most recent Preliminary Prospectus and the consolidated financial statements of the Company and its subsidiaries included in the most recent Preliminary Prospectus are based on or derived from sources that the Company believes to be reliable and accurate in all material respects.

(y) The Company is not, and as of the applicable Delivery Date and, after giving effect to the offer and sale of the Shares and the application of the proceeds therefrom as described under “Use of Proceeds” in the most recent Preliminary Prospectus and the Prospectus, will not be, (i) an “investment company” within the meaning of such term under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and the rules and regulations of the Commission thereunder or (ii) a “business development company” (as defined in Section 2(a)(48) of the Investment Company Act).

(z) There are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject that would, in the aggregate, reasonably be expected to have a Material Adverse Effect or would, in the aggregate, reasonably be expected to have a material adverse effect on the performance of this Agreement or the consummation of the transactions contemplated hereby; and to the Company’s knowledge, no such proceedings are threatened or contemplated by governmental authorities or others.

(aa) There are no legal or governmental proceedings or contracts or other documents of a character required to be described in the Registration Statement or the most recent Preliminary Prospectus or, in the case of documents to be filed as exhibits to the Registration Statement, that are not described and filed as required. Statements made in the most recent Preliminary Prospectus under the captions “Management Discussion & Analysis of Financial Condition and Results” and “Business" insofar as they purport to constitute summaries of the terms of statutes, rules or regulations, legal or governmental proceedings or contracts and other documents, constitute accurate summaries of the terms of such statutes, rules and regulations, legal and governmental proceedings and contracts and other documents in all material respects.

(bb) Except as described in the most recent Preliminary Prospectus, no relationship, direct or indirect, exists between or among the Company or its subsidiaries, on the one hand, and the directors, officers, shareholders, customers or suppliers of the Company or any of its subsidiaries, on the other hand, that is required to be described in the most recent Preliminary Prospectus or the Prospectus which is not so described. Since July 30, 2002, the Company has not, directly or indirectly, including through any subsidiary, extended or maintained credit, or arranged for the extension of credit, or

renewed or amended any extension of credit, in the form of a personal loan to or for any of the Company's current directors or executive officers other than such loans as have been repaid in full to the Company.

(cc) Except as described in the most recent Preliminary Prospectus,] no labor disturbance by the employees of the Company or its subsidiaries exists or, to the knowledge of the Company, is imminent that would reasonably be expected to have a Material Adverse Effect. The Company and its subsidiaries are in compliance, in all material respects, with the labor and employment laws and collective bargaining agreements applicable to its employees in Israel, except where non compliance would not be reasonably expected to have a Material Adverse Effect.

(dd) (i) Except as would not reasonably be expected to result in a Material Adverse Effect or as set forth in or contemplated by the Preliminary Prospectus, each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Security Act of 1974, as amended ("**ERISA**")) for which the Company or any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Internal Revenue Code of 1986, as amended (the "**Code**")) would have any liability (each a "**Plan**") has been maintained in compliance with its terms and with the requirements of all applicable statutes, rules and regulations including ERISA and the Code; (ii) with respect to each Plan subject to Title IV of ERISA (a) no "reportable event" (within the meaning of Section 4043(c) of ERISA, other than events with respect to which the 30-day notice requirement under Section 4043 of ERISA have been waived by the United States Department of Labor) has occurred or is reasonably expected to occur, (b) no "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred or is reasonably expected to occur, and (c) neither the Company or any member of its Controlled Group has incurred, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the PBGC in the ordinary course and without default) in respect of a Plan (including a "multiemployer plan", within the meaning of Section 4001(c)(3) of ERISA); and (iii) each Plan maintained by the Company that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter or is comprised of a master prototype plan that has received an opinion letter from the Internal Revenue Service covering all tax law changes prior to the Economic Growth and Tax Relief Reconciliation Act of 2001 (or has submitted, or is within the remedial amendment period for submitting, an application for a determination letter and is awaiting a response from the Internal Revenue Service), and, to the knowledge of the Company, no event has occurred and no condition exists that would result in the revocation or failure to issue any such determination letter or opinion letter.

(ee) The Company and each of its subsidiaries have filed all material Israeli and United States federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof, subject to permitted extensions, and have paid all taxes due thereon, and no tax deficiency has been determined adversely to the Company or any of its subsidiaries, nor does the Company have any knowledge of any

tax deficiencies that would, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(ff) There are no transfer taxes or other similar fees or charges under Israeli or Federal law or the laws of any state, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the issuance by the Company or sale by the Company of the Shares. Assuming that none of the Underwriters is otherwise subject to taxation in Israel, the issuance, delivery and sale to the Underwriters of the Shares to be sold by the Company are not subject to any tax imposed by the State of Israel or any political subdivision thereof.

(gg) Neither the Company nor any of its subsidiaries (i) is in violation of its articles of association, memorandum of association, charter or by-laws (or similar organizational documents), as applicable, (ii) is in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, license or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or (iii) is in violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or its property or assets or has failed to obtain any license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, except to the extent any such conflict, breach, violation, failure or default would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(hh) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States and to maintain accountability for its assets, (C) access to the Company's assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for the Company's assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. To the best of the Company's knowledge, since the end of the Company's most recent audited fiscal year, there has been no material weakness in the Company's internal control over financial reporting (whether or not remediated).

(ii) (i) The Company and each of its subsidiaries have established and maintain disclosure controls and procedures (as such term is defined in Rule 13a-15 under the Exchange Act), (ii) such disclosure controls and procedures are designed to ensure that the information required to be disclosed by the Company and its subsidiaries in the reports they will file or submit under the Exchange Act is accumulated and communicated to management of the Company and its subsidiaries, including their respective principal executive officers and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure to be made and (iii) such disclosure

controls and procedures are effective in all material respects to perform the functions for which they were established.

(jj) Since the date of the most recent balance sheet of the Company and its consolidated subsidiaries reviewed or audited by Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, (i) the Company has not been advised of (A) any significant deficiencies in the design or operation of internal controls that could adversely affect the ability of the Company and each of its subsidiaries to record, process, summarize and report financial data, or any material weaknesses in internal controls and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal controls of the Company and each of its subsidiaries, and (ii) since that date, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(kk) There is and has been no failure on the part of the Company and any of the Company's directors or officers, in their capacities as such, to comply with the provisions of Section 402 of the Sarbanes-Oxley Act of 2002.

(ll) The Company and each of its subsidiaries have such permits, licenses, consents, approvals, authorizations, orders, registrations, qualifications, filings, franchises, certificates of need and other approvals or authorizations of governmental or regulatory authorities ("**Permits**") as are necessary under applicable law to own their properties and conduct their businesses in the manner described in the most recent Preliminary Prospectus and the Prospectus, except for any of the foregoing the lack of which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; each such Permit is valid and in full force and effect, and neither the Company nor any of its subsidiaries has received notice of any investigation or proceedings which results in or, if decided adversely to the Company or any subsidiary, would reasonably be expected to result in, the revocation of, or imposition of a materially burdensome restriction on, any Permit; each of the Company and its subsidiaries has fulfilled and performed all of its material obligations with respect to the Permits, and no event has occurred that allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other impairment of the rights of the holder or any such Permits, except for any of the foregoing that would not reasonably be expected to have a Material Adverse Effect.

(mm) Except as described in the most recent Preliminary Prospectus and the Registration Statement, the Company and each of its subsidiaries own or, to the Company's knowledge, possess a valid and enforceable right to use all: (i) patents and patent applications, (ii) registered and unregistered trademarks, service marks, trade names, trademark applications and service mark applications, (iii) registered and unregistered copyrights and copyright applications, and (iv) other intellectual property (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) (the "**Intellectual Property**") necessary for the conduct of their respective businesses as currently being conducted and as described in the Registration Statement and the most recent Preliminary Prospectus and,

to the Company's knowledge, the conduct of their respective businesses does not conflict with any Intellectual Property rights of any third party, except such conflict as would not reasonably be expected to have a Material Adverse Effect, nor have they received any notice of any claim or conflict with, any such Intellectual Property rights of any third party, which claim, if the subject of an unfavorable decision, ruling or judgment, would reasonably be expected to result in a Material Adverse Effect. Except as described in the most recent Preliminary Prospectus and the Registration Statement, (i) the Company is not aware of any infringement by third parties of any of its Intellectual Property; (ii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the Company's or its subsidiaries' rights in or to any such Intellectual Property; and (iii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company or its subsidiaries infringe or otherwise violate any patent, trademark, copyright, trade secret or other proprietary rights of others.

(nn) Except as described in the most recent Preliminary Prospectus, (A) there are no proceedings that are pending, or known to be contemplated, against the Company or any of its subsidiaries under any laws, regulations, ordinances, rules, orders, judgments, decrees, permits or other legal requirements of any governmental authority, including without limitation any international, national, state, provincial, regional, or local authority, relating to the protection of human health or safety, the environment, or natural resources, or to hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**") in which a governmental authority is also a party which would, singly or in the aggregate, would reasonably be expected to have a Material Adverse Effect, and (B) the Company and its subsidiaries are not aware of any issues regarding compliance with Environmental Laws, or liabilities or other obligations under Environmental Laws or concerning hazardous or toxic substances or wastes, pollutants or contaminants, that would reasonably be expected to have a Material Adverse Effect.

(oo) Neither the Company nor any subsidiary is in violation of or has received notice of any violation with respect to any Israeli, federal or state law relating to discrimination in the hiring, promotion or pay of employees, nor any applicable federal or state wage and hour laws, nor any state law precluding the denial of credit due to the neighborhood in which a property is situated, the violation of any of which would reasonably be expected to have a Material Adverse Affect.

(pp) No subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or assets to the Company or any other subsidiary of the Company, except as described in or contemplated by the most recent Preliminary Prospectus.

(qq) Neither the Company nor any of its subsidiaries, nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company that is controlled by the Company or any of its subsidiaries, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to

political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds of the Company; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment in connection with Company activities.

(rr) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened, except, in each case, as would not reasonably be expected to have a Material Adverse Effect.

(ss) Neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person that, to the Company's knowledge, is currently subject to any U.S. sanctions administered by OFAC.

(tt) The Company has not distributed and, prior to the later to occur of any Delivery Date and completion of the distribution of the Shares, will not distribute any offering material in connection with the offering and sale of the Shares other than any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus to which the Representative has consented in accordance with Section 1(h) or 6(a)(vi) [and any Issuer Free Writing Prospectus set forth on Schedule [2] hereto].

(uu) The Company has not taken and will not take, directly or indirectly, any action designed to or that has constituted or that would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares. The Company will use its best efforts to cause its affiliates not to take, directly or indirectly, any action which is designed to or which has constituted or which would be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares.

(vv) The Shares have been approved for listing, subject to official notice of issuance and evidence of satisfactory distribution, on The NASDAQ Global Market.

(ww) The Company is in compliance in all material respects with all conditions and requirements stipulated by the instruments of approval granted to it with respect to the "Approved Enterprise" status of any of the facilities of the Company as well as with respect to the other tax benefits received by the Company as set forth under the caption "Israeli Government Programs" in the most recent Preliminary Prospectus and by Israeli laws and regulations relating to such "Approved Enterprise" status and the aforementioned other tax benefits received by the Company. The Company has not received any notice of any proceeding or investigation relating to revocation or modification of any "Approved Enterprise" status granted with respect to any of the Company's facilities.

(xx) The Company has satisfied and will continue to satisfy in all material respects all conditions and requirements of the instruments of approval granted to it by the Office of Chief Scientist of the Israeli Ministry of Industry and Trade and any applicable laws and regulations, including the Law for the Encouragement of Industrial Research and Development, 1984, with respect to any research and development grants given to it by such office, and is in full compliance with the repayment of all royalties, interest and penalties due under such laws and regulations. All information supplied by the Company with respect to such applications was true, correct and complete in all material respects when supplied to the appropriate authorities.

(yy) The Company was not, for the taxable year ended December 31, 2005, and upon the consummation of the transactions described hereby and the application of the proceeds as described in the Registration Statement under the caption "Use of Proceeds" is not expected to become for the taxable year ending December 31, 2006 or any taxable year thereafter, a Passive Foreign Investment Company within the meaning of Section 1297 of the Code.

(zz) The Company believes based on its current ownership that it is not a Controlled Foreign Corporation within the meaning of Section 957 of the Code. No shareholder of the Company is, as of the date of this Agreement, considered a United States shareholder within the meaning of Section 957 of the Code.

Any certificate signed by any officer of the Company and delivered to the Representative or counsel for the Underwriters in connection with the offering of the Shares shall be deemed a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

2. *Purchase of the Shares by the Underwriters.* On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell • Firm Shares to the several Underwriters, and each of the Underwriters, severally and not jointly, agrees to purchase the number of shares of the Firm Shares set forth opposite that Underwriter's name in Schedule 1 hereto. Each Underwriter shall be obligated to purchase from the Company that number of Firm Shares that represents the same proportion of the number of Firm Shares to be sold by the Company as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule 1 represents of the total number of Firm Shares to be purchased by all of the Underwriters pursuant to this Agreement.

The respective purchase obligations of the Underwriters with respect to the Firm Shares shall be rounded among the Underwriters to avoid fractional shares, as the Representative may determine.

In addition, the Company grants to the Underwriters an option to purchase up to • additional Option Shares. Such option is exercisable in the event that the Underwriters sell more Ordinary Shares than the number of Firm Shares in the offering and as set forth in Section 4 hereof. Each Underwriter agrees, severally and not jointly, to purchase the number of Option Shares (subject to such adjustments to eliminate fractional shares as the Representative may determine) that bears the same proportion to the total number of Option Shares to be sold on such Delivery Date as the number of Firm Shares set forth in Schedule 1 hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The price of both the Firm Shares and any Option Shares purchased by the Underwriters shall be $ • per share.

The Company shall not be obligated to deliver any of the Firm Shares or Option Shares, to be delivered on the applicable Delivery Date, except upon payment for all such Shares to be purchased on such Delivery Date as provided herein.

3. *Offering of Shares by the Underwriters*. Upon authorization by the Representative of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions to be set forth in the Prospectus. Each of the Underwriters hereby covenants and agrees that it will not offer the Shares in Israel, except that such Underwriter may offer for sale and sell Shares to entities which qualify under Section 15A(b)(1) of the Israeli Securities Law, 1968 and appear in the Addendum thereto.

4. Delivery of and Payment for the Shares. Delivery of and payment for the Firm Shares shall be made at 10:00 A.M., New York City time, on the third full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between the Representative and the Company. This date and time are sometimes referred to as the "**Initial Delivery Date**." Delivery of the Firm Shares shall be made to the Representative for the account of each Underwriter against payment by the several Underwriters through the Representative and of the respective aggregate purchase prices of the Firm Shares being sold by the Company to or upon the order of the Company of the purchase price by wire transfer in immediately available funds to the accounts specified by the Company. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. The Company shall deliver the Firm Shares through the facilities of the Depository Trust Company ("**DTC**") unless the Representative shall otherwise instruct.

The option granted in Section 2 will expire 30 days after the date of this Agreement and may be exercised in whole or from time to time in part by written notice being given to the Company by the Representative; *provided* that if such date falls on a day that is not a business day, the option granted in Section 2 will expire on the next succeeding business day. Such notice shall set forth the aggregate number of Option Shares as to which the option is being exercised, the names in which the Option Shares are to be registered, the denominations in which

the Option Shares are to be issued and the date and time, as determined by the Representative, when the Option Shares are to be delivered; *provided*, *however*, that this date and time shall not be earlier than the Initial Delivery Date nor earlier than the second business day after the date on which the option shall have been exercised nor later than the fifth business day after the date on which the option shall have been exercised. Each date and time the Option Shares are delivered is sometimes referred to as an "**Option Shares Delivery Date**," and the Initial Delivery Date and any Option Shares Delivery Date are sometimes each referred to as a "**Delivery Date**."

Delivery of the Option Shares by the Company and payment for the Option Shares by the several Underwriters through the Representative shall be made at 10:00 A.M., New York City time, on the date specified in the corresponding notice described in the preceding paragraph or at such other date or place as shall be determined by agreement between the Representative and the Company. On the Option Shares Delivery Date, the Company shall deliver or cause to be delivered the Option Shares to the Representative for the account of each Underwriter against payment by the several Underwriters through the Representative and of the respective aggregate purchase prices of the Option Shares being sold by the Company to or upon the order of the Company of the purchase price by wire transfer in immediately available funds to the accounts specified by the Company. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. The Company shall deliver the Option Shares through the facilities of DTC unless the Representative shall otherwise instruct.

5. *Further Agreements of the Company and the Underwriters*. (a) The Company agrees:

(i) To prepare the Prospectus in a form approved by the Representative (which approval shall not be unreasonably withheld) and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the last Delivery Date except as permitted herein; to advise the Representative, promptly after it receives notice thereof, of the time when any amendment or supplement to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Representative with copies thereof; to advise the Representative, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding or examination for any such purpose or of any request by the Commission for the amending or supplementing of the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus or suspending any such qualification, to use promptly its reasonable best efforts to obtain its withdrawal;

(ii) To furnish promptly to the Representative and to counsel for the Underwriters a signed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(iii) To deliver promptly to the Representative such number of the following documents as the Representative shall reasonably request: (A) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits other than this Agreement and the computation of per share earnings), (B) each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus and (C) each Issuer Free Writing Prospectus; and, if the delivery of a prospectus is required at any time after the date hereof in connection with the offering or sale of the Shares or any other securities relating thereto and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement the Prospectus in order to comply with the Securities Act, to notify the Representative and, upon its request, to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representative may from time to time reasonably request of an amended or supplemented Prospectus that will correct such statement or omission or effect such compliance;

(iv) To file promptly with the Commission any amendment or supplement to the Registration Statement or the Prospectus, or any supplement to the Prospectus, that may, in the reasonable judgment of the Company or the Representative, be required by the Securities Act or requested by the Commission;

(v) Prior to filing with the Commission any amendment to the Registration Statement or supplement to the Prospectus or any Prospectus pursuant to Rule 424 of the Rules and Regulations, to furnish a copy thereof to the Representative and counsel for the Underwriters and obtain the consent of the Representative to the filing;

(vi) Not to make any offer relating to the Shares that would constitute an Issuer Free Writing Prospectus without the prior written consent of the Representative which consent shall not be unreasonably withheld;

(vii) To retain in accordance with the Rules and Regulations all Issuer Free Writing Prospectuses not required to be filed pursuant to the Rules and Regulations; and if at any time after the date hereof any events shall have occurred as a result of which any Issuer Free Writing Prospectus, as then amended or supplemented, would conflict with the information in the Registration Statement, the most recent Preliminary Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or, if for any other reason it shall be necessary to amend or supplement any Issuer Free Writing Prospectus, to notify

the Representative and, upon its request, to file such document and to prepare and furnish without charge to each Underwriter as many copies as the Representative may from time to time reasonably request of an amended or supplemented Issuer Free Writing Prospectus that will correct such conflict, statement or omission or effect such compliance;

(viii) As soon as practicable after the Effective Date (it being understood that the Company shall have until at least 410 or, if the fourth quarter following the fiscal quarter that includes the Effective Date is the last fiscal quarter of the Company's fiscal year, 455 days after the end of the Company's current fiscal quarter), to make generally available to the Company's security holders and to deliver to the Representative an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules and Regulations (including, at the option of the Company, Rule 158);

(ix) For a period of two years following the Effective Date, to furnish to the Representative copies of all materials furnished by the Company to its shareholders generally and all public reports and all reports and financial statements furnished by the Company to the principal national securities exchange or market upon which the Shares may be listed pursuant to requirements of or agreements with such exchange or to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder (it being understood that filing on EDGAR shall be deemed to constitute delivery hereunder);

(x) Promptly from time to time to take such action as the Representative may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as the Representative may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares; *provided* that in connection therewith, the Company shall not be required to (i) qualify as a foreign corporation in any jurisdiction in which it would not otherwise be required to so qualify, (ii) file a general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any jurisdiction in which it would not otherwise be subject;

(xi) For a period commencing on the date hereof and ending on the 180th day after the date of the Prospectus (the "**Lock-Up Period**"), not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares (other than the Shares), or sell or grant options, rights or warrants with respect to any Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such Ordinary Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Ordinary Shares or other securities, in cash or otherwise, (3) file or cause to be filed a registration statement, including any amendments, with respect to the registration of any Ordinary Shares or securities convertible, exercisable or

exchangeable into Ordinary Shares or any other securities of the Company or (4) publicly disclose the intention to do any of the foregoing, in each case without the prior written consent of Lehman Brothers Inc. on behalf of the Underwriters, and to cause each officer, director and shareholder of the Company set forth on Schedule 3 hereto to furnish to the Representative, prior to the Initial Delivery Date, a letter or letters, substantially in the form of Exhibit A hereto (the "**Lock-Up Agreements**") (*provided* that the foregoing shall not apply to (u) the Shares to be sold hereunder, (v) the grant of options to purchase Ordinary Shares pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans described in the Prospectus, (w) the issuance of Ordinary Shares pursuant to the Company's employee benefit plans, employee stock purchase plan, qualified stock option plans or other employee compensation plans described in the Prospectus, (x) the filing of a registration statement on Form S-8 not earlier than the 90th day after the date of the Prospectus with respect to employee benefit plans, qualified stock option plans or other employee compensation plans described in the Prospectus, (y) the issuance of Ordinary Shares or securities convertible into Ordinary Shares, pursuant to the exercise of warrants or conversion of convertible securities described in the Prospectus), or (z) the issuance of up to • Ordinary Shares (as adjusted for any stock split, stock consolidation or similar event) in connection with a merger, acquisition or joint venture and the filing of any registration statement in connection therewith, provided that the holders of any Ordinary Shares issued pursuant to this subclause (z) shall agree to be bound by an agreement substantially in the form of Exhibit A hereto for a period that shall not exceed the remainder of the Lock-up Period (as the same may be extended pursuant hereto); notwithstanding the foregoing, if (1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs or (2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then the restrictions imposed in the preceding paragraph shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or the occurrence of the material event, unless Lehman Brothers Inc., on behalf of the Underwriters, waives such extension in writing;

(xii) During the Lock-Up Period to cause each person that exercises awards granted under the Company's Key Employee Share Incentive Plan (2003) or the Company's 2006 Incentive Compensation Plan (together, the "**Restricted Plans**") to enter into a Lock-Up Agreement for the remainder of the Lock-Up Period with respect to the securities of the Company received in connection with such exercises prior to the issuance and receipt thereof.

(xiii) Not to, during the Lock-Up Period, remove the restrictive legend set forth on any stock certificate issued by the Company in connection with the exercise of share options granted by the Company under the Restricted Plans or otherwise facilitate the resale of Ordinary Shares underlying awards granted under such plans or any other Ordinary Shares which are subject to or are otherwise bound by Lock-Up Agreements; provided, however, that the foregoing shall not prevent the Company from filing a Form S-8 with respect to the Restricted Plans to the extent permitted by section 5(xi); and

(xiv) To apply the net proceeds from the sale of the Shares being sold by the Company as set forth in the Prospectus.

(b) Each Underwriter severally agrees that such Underwriter shall not include any "issuer information" (as defined in Rule 433) in any "free writing prospectus" (as defined in Rule 405) used or referred to by such Underwriter without the prior consent of the Company (any such issuer information with respect to whose use the Company has given its consent, "**Permitted Issuer Information**"); *provided* that (i) no such consent shall be required with respect to any such issuer information contained in any document filed by the Company with the Commission prior to the use of such free writing prospectus and (ii) "issuer information," as used in this Section 5(b), shall not be deemed to include information prepared by or on behalf of such Underwriter on the basis of or derived from issuer information.

6. *Expenses.* The Company agrees, whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, to pay all costs, expenses and fees incident to and in connection with (a) the authorization, issuance, sale and delivery of the Shares and any stamp duties or other similar taxes imposed by Israel or the United States in that connection, and the preparation and printing of certificates for the Shares; (b) the preparation, printing and filing under the Securities Act of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto; (c) the distribution of the Registration Statement (including any exhibits thereto), any Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus and any amendment or supplement thereto, all as provided in this Agreement; (d) the production and distribution of this Agreement, any supplemental agreement among Underwriters and any other related documents in connection with the offering, purchase, sale and delivery of the Shares; (e) any required review by the NASD of the terms of sale of the Shares (including related fees and expenses of counsel to the Underwriters, together with subparagraph (g) below, not to exceed $20,000 in the aggregate); (f) the inclusion of the Shares on The NASDAQ Global Market and/or any other exchange; (g) the qualification of the Shares under the securities laws of the several jurisdictions as provided in Section 5(a)(x) and the preparation, printing and distribution of a Blue Sky Memorandum (including related fees and expenses of counsel to the Underwriters, together with subparagraph (e) above, not to exceed $20,000 in the aggregate); (h) any Independent Underwriter (as defined in Section 8(g)); (i) the investor presentations on any "road show" undertaken in connection with the marketing of the Shares, including, without limitation, expenses associated with any electronic road show, travel and lodging expenses of the representatives and officers of the Company and the cost of any aircraft chartered in connection with the road show; *provided*, *however*, that the Underwriters agree to pay 40% of the cost of any such aircraft; and (j) all other costs and expenses incident to the performance of the obligations of the Company under this Agreement; *provided* that, except as provided in this Section 6 and in Section 11, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsels, any transfer taxes on the Shares which they may sell and the expenses of advertising any offering of the Shares made by the Underwriters.

7. *Conditions of Underwriters' Obligations*. The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on each Delivery Date, of the representations and warranties of the Company contained herein, to the performance by the

Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with Section 5(a)(i); the Company shall have complied with all filing requirements applicable to any Issuer Free Writing Prospectus used or referred to after the date hereof; no stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus or any Issuer Free Writing Prospectus shall have been issued and no proceeding or examination for such purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with or resolved to the Commission's satisfaction.

(b) No Underwriter shall have discovered and disclosed to the Company on or prior to such Delivery Date that the Registration Statement, the Prospectus or the Pricing Disclosure Package, or any amendment or supplement thereto, contains an untrue statement of a fact which, in the opinion of Morrison & Foerster LLP, counsel for the Underwriters, is material or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading.

(c) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Shares, the Registration Statement, the Prospectus and any Issuer Free Writing Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Underwriters, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(d) White & Case LLP shall have furnished to the Representative its written opinion, as counsel to the Company, addressed to the Underwriters and dated such Delivery Date, substantially in the form attached hereto as Exhibit B-1.

(e) Ori Rosen & Co., Law Offices, shall have furnished to the Representative its written opinion, as Israeli counsel to the Company, addressed to the Underwriters and dated such Delivery Date, substantially in the form attached hereto as Exhibit B-2(a) and Shohat, Locker, Law Office, shall have furnished to the Representative its written opinion, as special Israeli tax counsel to the Company, addressed to the Underwriters and dated such Delivery Date, substantially in the form attached hereto as Exhibit B-2(b).

(f) The Representative shall have received from Morrison & Foerster LLP, counsel for the Underwriters, such opinion or opinions, dated such Delivery Date, with respect to the issuance and sale of the Shares, the Registration Statement, the Prospectus and the Pricing Disclosure Package and other related matters as the Representative may reasonably require, and the Company shall have furnished to such counsel such

documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(g) The Representative shall have received from Herzog, Fox & Neeman, Israeli counsel for the Underwriters, such opinion or opinions, dated such Delivery Date, with respect to the issuance and sale of the Shares, the Registration Statement, the Prospectus and the Pricing Disclosure Package and other related matters as the Representative may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(h) At the time of execution of this Agreement, the Representative shall have received from Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global a letter, in form and substance satisfactory to the Representative, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the most recent Preliminary Prospectus, as of a date not more than five days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(i) With respect to the letter of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global referred to in the preceding paragraph and delivered to the Representative concurrently with the execution of this Agreement (the "**initial letter**"), the Company shall have furnished to the Representative a letter (the "**bring-down letter**") of such accountants, addressed to the Underwriters and dated such Delivery Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(j) The Company shall have furnished to the Representative a certificate, dated such Delivery Date, of its Chief Executive Officer and its Chief Financial Officer stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are true and correct on and as of such Delivery Date, and the Company

has complied with all its agreements contained herein and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Delivery Date;

(ii) No stop order suspending the effectiveness of the Registration Statement has been issued; and no proceedings or examination for that purpose have been instituted or, to the knowledge of such officers, threatened; and

(iii) They have carefully examined the Registration Statement, the Prospectus and the Pricing Disclosure Package, and, in their opinion, (A) (1) the Registration Statement, as of the Effective Date, (2) the Prospectus, as of its date and on the applicable Delivery Date or (3) the Pricing Disclosure Package, as of the Applicable Time, did not and do not contain any untrue statement of a material fact and did not and do not omit to state a material fact required to be stated therein (except in the case of the Registration Statement, in light of the circumstances under which they were made), or necessary to make the statements therein not misleading except, in the case of the Pricing Disclosure Package, that the price of the Shares and disclosures directly relating thereto are included on the cover page of the Prospectus and (B) since the Effective Date, no event has occurred that should have been set forth in a supplement or amendment to the Registration Statement, the Prospectus or any Issuer Free Writing Prospectus that has not been so set forth.

(k) Except as described in the most recent Preliminary Prospectus, (i) neither the Company nor any of its subsidiaries shall have sustained, since the date of the latest audited financial statements included in the most recent Preliminary Prospectus, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree or (ii) since such date there shall not have been any change in the share capital or long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the condition (financial or otherwise), results of operations, shareholders' equity, properties, management, business or prospects of the Company and its subsidiaries taken as a whole, the effect of which, in any such case described in clause (i) or (ii), is, in the judgment of the Representative, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(l) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or materially limited or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by Israeli, federal or state authorities, (iii)

the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or Israel or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions, including, without limitation, as a result of terrorist activities after the date hereof (or the effect of international conditions on the financial markets in the United States shall be such), as to make it, in the judgment of the Representative, impracticable or inadvisable to proceed with the public offering or delivery of the Shares being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(m) The NASDAQ Global Market, Inc. shall have approved the Shares for listing, subject only to official notice of issuance and evidence of satisfactory distribution.

(n) The Lock-Up Agreements between the Representative and the officers, directors and shareholders of the Company set forth on Schedule 3, delivered to the Representative on or before the date of this Agreement, shall be in full force and effect on such Delivery Date.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

8. *Indemnification and Contribution.*

(a) The Company shall indemnify and hold harmless each Underwriter, its directors, officers and employees and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Shares), to which that Underwriter, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any Preliminary Prospectus, the Registration Statement, the Prospectus or in any amendment or supplement thereto, (B) any Issuer Free Writing Prospectus or in any amendment or supplement thereto, (C) any Permitted Issuer Information used or referred to in any "free writing prospectus" (as defined in Rule 405) used or referred to by any Underwriter or (D) any "road show" (as defined in Rule 433) or its equivalent with respect to presentations in the State of Israel, not constituting an Issuer Free Writing Prospectus ("**Non-Prospectus Road Show**"), (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Permitted Issuer Information or any Non-Prospectus Road Show, any material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any act or failure to act or any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Shares or the offering contemplated hereby, and which is included as part of or referred to in any loss,

claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (*provided* that the Company shall not be liable under this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its gross negligence or willful misconduct), and shall reimburse each Underwriter and each such director, officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, director, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; *provided*, *however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Permitted Issuer Information or any Non-Prospectus Road Show, in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representative by or on behalf of any Underwriter specifically for inclusion therein, which information consists solely of the information specified in Section 8(e). The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Underwriter or to any director, officer, employee or controlling person of that Underwriter.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, its respective directors (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company), officers and employees, and each person, if any, who controls the Company or within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company, or any such director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Non-Prospectus Road Show, or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Non-Prospectus Road Show, any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representative by or on behalf of that Underwriter specifically for inclusion therein, which information is limited to the information set forth in Section 8(e) and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending or preparing to defend

against any claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability that any Underwriter may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; *provided, however*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, *provided, further*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided, however*, that the indemnified party shall have the right to employ its own counsel to represent jointly the indemnified party (and in the case of the Representative, the other Underwriters) and its or their respective directors, officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the indemnified party against the indemnifying party under this Section 8 , but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have so mutually agreed; (ii) the indemnifying party has failed within a reasonable time to retain counsel reasonably satisfactory to the indemnified party; (iii) the indemnified party and its or their respective directors, officers, employees and controlling persons shall have reasonably concluded that there may be legal defenses available to them that are different from or in addition to those available to the indemnified party; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the indemnified party or its or their respective directors, officers, employees or controlling persons, on the one hand, and the indemnifying party, on the other hand, and representation of both sets of parties by the same counsel would be inappropriate due to actual or potential differing interests between them, and in any such event the fees and expenses of such separate counsel shall be paid by the indemnifying party. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability

arising out of such claim, action, suit or proceeding and does not include any findings of fact or admissions of fault or culpability as to the indemnified party, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a), 8(b) or 8(f) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and the Underwriters, on the other, from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Underwriters, on the other, with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Underwriters, on the other, with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under this Agreement (before deducting expenses) received by the Company, as set forth in the table on the cover page of the Prospectus, on the one hand, and the total underwriting discounts and commissions received by the Underwriters with respect to the Shares purchased under this Agreement, as set forth in the table on the cover page of the Prospectus, on the other hand. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 8(d) shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the net proceeds from the sale of the Shares underwritten by it exceeds the amount of any damages that such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the

Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective underwriting obligations and not joint.

(e) The Underwriters severally confirm and the Company acknowledges and agrees that the statements regarding delivery of shares by the Underwriters set forth on the cover page of and the following information under the caption "Underwriting," in the most recent Preliminary Prospectus and the Prospectus, (i) concession and reallowance figures, (ii) the first paragraph under the subheading "Stabilization, Short Positions and Penalty Bids," (iii) the information under the subheading "Discretionary Sales" and (iv) the first paragraph under the subheading "Electronic Distribution," are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in any Preliminary Prospectus, the Registration Statement, the Prospectus, any Issuer Free Writing Prospectus or in any amendment or supplement thereto or in any Non-Prospectus Road Show.

(f) Without limitation of and in addition to its obligations under the other paragraphs of this Section 8, the Company agrees to indemnify and hold harmless Lehman Brothers Inc. (in the capacity described in this Section 8(f), the "**Independent Underwriter**"), its directors, officers and employees and each person who controls Independent Underwriter within the meaning of Section 15 of the Securities Act from and against any and all loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Shares) to which the Independent Underwriter, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, the Independent Underwriter's acting as a "qualified independent underwriter" (within the meaning of NASD Conduct Rule 2720) in connection with the offering contemplated by this Agreement, and agrees to reimburse each such indemnified party promptly upon demand for any legal or other expenses reasonably incurred by them in connection with investigating or defending or preparing to defend any such loss, claim, damage, liability or action; *provided*, *however*, that the Company shall not be liable in any such case to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from the gross negligence or willful misconduct of the Independent Underwriter. The relative benefits received by the Independent Underwriter with respect to the offering contemplated by this Agreement shall, for purposes of Section 10(e), be deemed to be equal to the compensation received by the Independent Underwriter for acting in such capacity. In addition, notwithstanding the provisions of Section 10(e), the Independent Underwriter shall not be required to contribute any amount in excess of the compensation received by the Independent Underwriter for acting in such capacity.

9. *Defaulting Underwriters*. If, on any Delivery Date, any Underwriter defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Underwriters shall be obligated to purchase the Shares that the defaulting Underwriter agreed but

failed to purchase on such Delivery Date in the respective proportions which the number of Firm Shares set forth opposite the name of each remaining non-defaulting Underwriter in Schedule 1 hereto bears to the total number of Firm Shares set forth opposite the names of all the remaining non-defaulting Underwriters in Schedule 1 hereto; *provided*, *however*, that the remaining non-defaulting Underwriters shall not be obligated to purchase any of the Shares on such Delivery Date if the total number of Shares that the defaulting Underwriter or Underwriters agreed but failed to purchase on such date exceeds 9.09% of the total number of Shares to be purchased on such Delivery Date, and any remaining non-defaulting Underwriter shall not be obligated to purchase more than 110% of the number of Shares that it agreed to purchase on such Delivery Date pursuant to the terms of Section 2. If the foregoing maximums are exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Representative who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Shares to be purchased on such Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Representative do not elect to purchase the Shares that the defaulting Underwriter or Underwriters agreed but failed to purchase on such Delivery Date, this Agreement (or, with respect to any Option Shares Delivery Date, the obligation of the Underwriters to purchase, and of the Company to sell, the Option Shares) shall terminate without liability on the part of any non-defaulting Underwriters, the Company, except that the Company will continue to be liable for the payment of expenses to the extent set forth in Sections 6 and 11. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule 1 hereto that, pursuant to this Section 9, purchases Shares that a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company for damages caused by its default. If other Underwriters are obligated or agree to purchase the Shares of a defaulting or withdrawing Underwriter, either the Representative or the Company may postpone the Delivery Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

10. *Termination.* The obligations of the Underwriters hereunder may be terminated by the Representative by notice given to and received by the Company prior to delivery of and payment for the Firm Shares if, prior to that time, any of the events described in Sections 7(k) and 7(l) shall have occurred or if the Underwriters shall decline to purchase the Shares for any reason permitted under this Agreement.

11. *Reimbursement of Underwriters' Expenses.* If (a) the Company shall fail to tender the Shares for delivery to the Underwriters by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition to the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled for any reason or (b) the Underwriters shall decline to purchase the Shares for any reason permitted under this Agreement, the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including the reasonable fees and disbursements of one counsel) incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Shares, and upon demand the Company shall pay the full

amount thereof to the Representative. If this Agreement is terminated pursuant to Section 9 by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriter on account of those expenses.

12. *Research Analyst Independence.* The Company acknowledges that the Underwriters' research analysts and research departments are required to be independent from their respective investment banking divisions and are subject to certain regulations and internal policies, and that such Underwriters' research analysts may hold views and make statements or investment recommendations and/or publish research reports with respect to the Company and/or the offering that differ from the views of their respective investment banking divisions. The Company acknowledges that each of the Underwriters is a full service securities firm and as such from time to time, subject to applicable securities laws, may effect transactions for its own account or the account of its customers and hold long or short positions in debt or equity securities of the companies that may be the subject of the transactions contemplated by this Agreement.

13. *No Fiduciary Duty*. The Company acknowledges and agrees that in connection with this offering, sale of the Shares or any other services the Underwriters may be deemed to be providing hereunder, notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or subsequently made by the Underwriters: (i) no fiduciary or agency relationship between the Company and any other person, on the one hand, and the Underwriters, on the other, exists; (ii) the Underwriters are not acting as advisors, expert or otherwise, to the Company including, without limitation, with respect to the determination of the public offering price of the Shares, and such relationship between the Company, on the one hand, and the Underwriters, on the other, is entirely and solely commercial, based on arms-length negotiations; (iii) any duties and obligations that the Underwriters may have to the Company shall be limited to those duties and obligations specifically stated herein; and (iv) the Underwriters and their respective affiliates may have interests that differ from those of the Company. The Company hereby waives any claims that the Company may have against the Underwriters with respect to any breach of fiduciary duty in connection with this offering.

14. *Notices, Etc.* All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail or facsimile transmission to Lehman Brothers Inc., 745 Seventh Avenue, New York, New York 10019, Attention: Syndicate Registration (Fax: 646-834-8133), with a copy, in the case of any notice pursuant to Section 8(c), to the Director of Litigation, Office of the General Counsel, Lehman Brothers Inc., 399 Park Avenue, 10th Floor, New York, New York 10022 (Fax: 212-520-0421); and

(b) if to the Company, shall be delivered or sent by mail or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Chief Executive Officer (Fax:+972-9-746-9647).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by Lehman Brothers Inc.

15. *Persons Entitled to Benefit of Agreement.* This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (A) the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the directors, officers and employees of the Underwriters and each person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Securities Act and (B) the indemnity agreement of the Underwriters contained in Section 8(b) of this Agreement shall be deemed to be for the benefit of the directors of the Company, the officers of the Company who have signed the Registration Statement and any person controlling the Company within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 15, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

16. *Survival.* The respective indemnities, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Shares and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

17. *Definition of the Terms "Business Day" and "Subsidiary".* For purposes of this Agreement, (a) "**business day**" means each Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close and (b) "**subsidiary**" has the meaning set forth in Rule 405 of the Rules and Regulations.

18. *Governing Law*. **This Agreement shall be governed by and construed in accordance with the laws of the State of New York.**

19. *Submission to Jurisdiction, Etc.* The Company hereby submits to the non-exclusive jurisdiction of the U.S. federal and New York state courts in the Borough of Manhattan, The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The parties hereby irrevocably and unconditionally waive any objection to the laying of venue of any lawsuit, action or other proceeding in such courts, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such lawsuit, action or other proceeding brought in any such court has been brought in an inconvenient forum. The Company designated and appoints Allot Communications, Inc., which currently maintains an office at 7664 Golden Triangle Drive, Eden Prarie, MN 55344, as its authorized agent in the Borough of Manhattan, The City of New York, New York upon which process may be served in any such suit or proceeding, and agrees that service of process upon such agent, and written notice of said service to the Company by the person serving the same to the address provided in Section 14 shall be deemed in every respect effective service of process upon the Company in any such suit or

proceeding. Such designation and appointment shall be irrevocable, unless and until a successor authorized agent shall have been appointed by the Company, such successor shall have accepted such appointment and written notice thereof shall have been given to the Underwriters. The Company further agrees to take any and all actions as may be necessary to maintain such designation and appointment of such agent in full force and effect for a period of three years from the date of this Agreement.

20. *Waiver of Immunity*. With respect to any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled, and with respect to any such suit or proceeding, each party waives any such immunity in any court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such suit or proceeding, including, without limitation, any immunity pursuant to the U.S. Foreign Sovereign Immunities Act of 1976, as amended.

21. *Judgment Currency.* The obligation of the Company in respect of any sum due to any Underwriter under this Agreement shall, notwithstanding any judgment in a currency other than U.S. dollars or any other applicable currency (the "**Judgment Currency**"), not be discharged until the first business day, following receipt by such Underwriter of any sum adjudged to be so due in the Judgment Currency, on which (and only to the extent that) such Underwriter may in accordance with normal banking procedures purchase U.S. dollars or any other applicable currency with the Judgment Currency; if the U.S. dollars or other applicable currency so purchased are less than the sum originally due to such Underwriter hereunder, the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Underwriter against such loss. If the U.S. dollars or other applicable currency so purchased are greater than the sum originally due to such Underwriter hereunder, such Underwriter agrees to pay to the Company an amount equal to the excess of the U.S. dollars or other applicable currency so purchased over the sum originally due to such Underwriter hereunder.

22. *Counterparts.* This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

23. *Headings.* The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement between the Company and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

ALLOT COMMUNICATIONS LTD.

By: _____
Name:
Title:

Accepted:

LEHMAN BROTHERS INC.

For itself and as Representative
of the several Underwriters named
in Schedule 1 hereto

By: _____
Authorized Representative

SCHEDULE 1

Underwriters	Number of Firm Shares
Lehman Brothers Inc.	
[*Insert other underwriters*]	
Total	

SCHEDULE 2

ISSUER FREE WRITING PROSPECTUS(ES)

SCHEDULE 3

PERSONS DELIVERING LOCK-UP AGREEMENTS

Directors

Yigal Jacoby
Rami Hadar
Yossi Sela
Eyal Kishon
Shai Saul
Erel Margalit
Yosi Elihav

Officers

Amir Weinstein
Azi Ronen
Michael Shurman
Larry Schmidt
Menashe Mukhtar
Sharon Hess
Ramy Moriah
Adi Sapir
Pini Gvili
Anat Shenig

Shareholders

Certain Shareholders and Optionholders.

Exhibit A

LOCK-UP LETTER AGREEMENT

LEHMAN BROTHERS INC.
As Representative of the several
Underwriters named in Schedule 1 of the Underwriting Agreement,
c/o Lehman Brothers Inc.
745 Seventh Avenue
New York, New York 10019

Ladies and Gentlemen:

The undersigned understands that you and certain other firms (the "**Underwriters**") propose to enter into an Underwriting Agreement (the "**Underwriting Agreement**") providing for the purchase by the Underwriters of Ordinary Shares (the "**Shares**"), nominal value NIS 0.10 per share (the "**Ordinary Shares**"), of Allot Communications Ltd., a company organized under the laws of Israel (the "**Company**"), and that the Underwriters propose to reoffer the Shares to the public (the "**Offering**").

In consideration of the execution of the Underwriting Agreement by the Underwriters, and for other good and valuable consideration, the undersigned hereby irrevocably agrees that, without the prior written consent of Lehman Brothers Inc., on behalf of the Underwriters, the undersigned will not, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to, or would reasonably be expected to, result in the disposition by any person at any time in the future of) any Ordinary Shares (including, without limitation, Ordinary Shares that may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and Ordinary Shares that may be issued upon exercise of any options or warrants) or securities convertible into or exercisable or exchangeable for Ordinary Shares, (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of Ordinary Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Ordinary Shares or other securities, in cash or otherwise, (3) make any demand for or exercise any right or file or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any Ordinary Shares or securities convertible into or exercisable or exchangeable for Ordinary Shares or any other securities of the Company or (4) publicly disclose the intention to do any of the foregoing, for a period commencing on the date hereof and ending on the 180th day after the date of the Prospectus relating to the Offering (such 180-day period, the "**Lock-Up Period**").

The foregoing restrictions shall not apply to: (a) any sale of Ordinary Shares to the Underwriters pursuant to the Underwriting Agreement; (b) the exercise of warrants or the conversion of convertible securities, or the exercise of stock options granted pursuant to the Company's stock option/incentive plans or otherwise outstanding on the date hereof; provided, that it shall apply to any Ordinary Shares issued upon such exercise or conversion; (c) the establishment of any contract, instruction or plan (a "**Plan**") that satisfies all of the requirements of Rule 10b5-1(c)(1)(i)(B) under the Securities Exchange Act of 1934 (the "**Exchange Act**");

provided, however, that no sales of Ordinary Shares or securities convertible into, or exchangeable or exercisable for, Ordinary Shares, shall be made pursuant to a Plan prior to the expiration of the Lock-up Period (as the same may be extended pursuant to the provisions hereof); or (d) bona fide gifts, sales or other dispositions of shares of any class of the Company's capital stock, in each case that are made exclusively between and among the undersigned or members of the undersigned's family (or a trust to their benefit), or affiliates of the undersigned, including its partners (if a partnership) or members (if a limited liability company); provided, that it shall be a condition to any such transfer that (i) the transferee/donee agrees to be bound by the terms of this Lock-Up Letter Agreement (including, without limitation, the restrictions set forth in the preceding paragraph) to the same extent as if the transferee/donee were a party hereto, (ii) no filing by any party (donor, donee, transferor or transferee) under the Exchange Act, shall be required or shall be voluntarily made in connection with such transfer or distribution (other than a filing on a Form 5, Schedule 13D or Schedule 13G (or 13D-A or 13G-A) made after the expiration of the 180-day period referred to above), (iii) each party (donor, donee, transferor or transferee) shall not be required by law (including without limitation the disclosure requirements of the Securities Act of 1933, as amended, and the Exchange Act) to make, and shall agree to not voluntarily make, any public announcement of the transfer or disposition, and (iv) the undersigned notifies Lehman Brothers Inc. at least two business days prior to the proposed transfer or disposition.

Notwithstanding the foregoing, if (1) during the last 17 days of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs or (2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then the restrictions imposed by this Lock-Up Letter Agreement shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or the occurrence of the material event, unless you waive such extension in writing. The undersigned hereby further agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this Lock-Up Letter Agreement during the period from the date of this Lock-Up Letter Agreement to and including the 34th day following the expiration of the Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the Lock-Up Period (as such may have been extended pursuant to this paragraph) has expired.

In furtherance of the foregoing, the Company and its transfer agent are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Letter Agreement.

It is understood that, if (i) the Company notifies the Underwriters that it does not intend to proceed with the Offering, (ii) the Underwriting Agreement does not become effective or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Shares, or (iii) the offering is not completed by December 31, 2006, the undersigned will be released from its obligations under this Lock-Up Letter Agreement.

The undersigned understands that the Company and the Underwriters will proceed with the Offering in reliance on this Lock-Up Letter Agreement.

Whether or not the Offering actually occurs depends on a number of factors, including market conditions. Any Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

[Signature page follows]

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Letter Agreement and that, upon request, the undersigned will execute any additional documents necessary in connection with the enforcement hereof. Any obligations of the undersigned shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

Very truly yours,

By: _____
Name:
Title:

Dated: _____

EXHIBIT B-1

FORM OF OPINION OF COMPANY'S COUNSEL
TO BE DELIVERED PURSUANT TO
SECTION 9(d)

EXHIBIT B-2(a)

FORM OF OPINION BY ISRAELI COUNSEL FOR COMPANY
TO BE DELIVERED PURSUANT TO SECTION 7(e)

EXHIBIT B-2(b)

FORM OF OPINION BY ISRAELI TAX COUNSEL FOR COMPANY
TO BE DELIVERED PURSUANT TO SECTION 7(e)

Exhibit 3.1

[Translation from Hebrew]

[Certified by the Registrar of Companies on November 12, 1996]

Companies Ordinance [New Version], 5743-1983
Memorandum of Association

1. Name of the company in Hebrew: ARIADNE LTD.
   in English: ARIADNE LTD.

2. The purposes for which the company was established are:

   a. to engage in the business of computers, hardware and software, including research and development, marketing, consulting and selling of knowledge.

   b. any other engagement for which the board of directors of the company shall determine.

3. The liability of the members is limited.

4. The share capital of the company is NIS29,400 divided into 29,400 ordinary shares, in the name, par value NIS1, each.

We the undersigned hereinafter wish to incorporate a company pursuant to this memorandum of association, and agree to each take the number of shares in the company's share capital as written aside each name.

Names of Undersigned and their I.D. Numbers	Number of Shares Taken	Signatures
Hanibaal Ltd. P.C./51-238763-0	6,712	/s/ Gideon Duvshani
Odem Rotem Ltd. P.C./51-226932-5	5,816	/s/ Yosef Elihav (on behalf)
Doina Computers and Investments Ltd. P.C./51-238769-7	2,237	/s/ Michael Rotenberg
Koteret Company for Consulting and Technical Documentation Ltd. P.C./51-099040-1	671	/s/ Yaffa Krindel
Michael Shurman I.D. 016770810	671	/s/ Michael Shurman
Total Shares Taken	16,107	

Date: October 31, 1996

Witness to the aforementioned signatures:
Elihav Yosef /s/ Elihav Yosef

[Translation from Hebrew]

Ministry of Justice — Registrar of Companies

State of Israel

Companies Ordinance [New Version] 5743-1983

Certificate of Change of Name

I hereby certify that based upon a special resolution and in accordance with Section 37 of the Companies Ordinance [New Version] 5743-1983, the company:

ARIADNE LTD. [in Hebrew]
ARIADNE LTD. [in English]

has changed its name, and henceforth shall be named

ALLOT COMMUNICATIONS LTD. [in Hebrew]
ALLOT COMMUNICATIONS LTD. [in English]

and the aforementioned amended name was registered in the register of companies.

Given under my signature in Jerusalem this 2nd (30th) day of the month of September (Av) in the year 1997 (5757).

Company No. 51-239477-6

Registrar of Companies
/s/

Exhibit 3.2

THE COMPANIES LAW, 5759-1999
A COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION OF
Allot Communications Ltd.

Interpretation; General

1. In these Articles, unless the context otherwise requires:

1.1. These "**Articles**" shall mean the Articles of Association of the Company, as shall be in force from time to time.

1.2. "**as converted basis**" means assuming the theoretical conversion of all outstanding Preferred Shares and Ordinary Shares (Series A) of the Company into Ordinary Shares, at the then applicable conversion ratio.

1.3. The "**Company**" means the company whose name is set forth above.

1.4. The "**Directors**" means the Board of Directors of the Company.

1.5. "**Interested Party**" means any "interested party", as such term is defined in the Israeli Securities Law of 1968, or any member of the family or affiliate of such Interested Party, Person controlled by it, Person under common control or Person controlling it.

1.6. "**IPO**" means an initial underwritten public offering of the Company's securities.

1.7. The "**Law**" means the Companies Law, 5759-1999, and any other law that shall be in effect from time to time with respect to companies and that shall apply to the Company.

1.8. The "**Memorandum**" means the Memorandum of Association of the Company.

1.9. The "**Office**" means the registered office of the Company.

1.10. The "**Original Issue Price**" means the price actually paid to the Company in US Dollars for each Preferred A Share, Preferred B Share, Preferred C Share, Preferred D Share or Preferred E Share, as applicable, held by such shareholder (as adjusted for any stock split, bonus shares or other recapitalization).

1.11. "**Person**" means an individual, entity, corporation, partnership, joint venture, trust or unincorporated organization.

1.12. "**Preferred Shares**" means the Preferred A Shares, the Preferred B Shares, the Preferred C Shares, the Preferred D Shares and the Preferred E Shares (all as defined below).

1.13. The "**Register**" means the Register of Shareholders that is to be kept pursuant to the provisions of the Law.

1.14. A "**Shareholder**" shall mean any person or entity that is the owner of a share or shares in the Company, as registered in the Register.

1.15. "**Writing**" or any term of like import including words typewritten, printed, painted, engraved, lithographed, photographed or represented or reproduced by any mode of reproducing words in a visible form, including telex, facsimile, telegram, cable or other form of writing produced by electronic communication.

1.16. The "**Original Purchase Agreement**" means that certain Share Purchase and

Shareholders Agreement between the Company and others entered into on January 28, 1998.

1.17. The "**Subsequent Purchase Agreement**" means that certain Share Purchase and Shareholders Agreement between the Company and others entered into on March 10, 1999, and any addendums thereto.

1.18. The "**Third Purchase Agreement**" means that certain Share Purchase and Shareholders Agreement between the Company and others entered into on June 1, 2000, and any addendums thereto.

1.19. The **"Fourth Purchase Agreement"** means that certain Share Purchase and Shareholders Agreement between the Company and others entered into on October 30, 2002, and any addendums thereto.

1.20. The **"Fifth Purchase Agreement"** means that certain Share Purchase Agreement between the Company and others entered into in August 2004, and any addendums thereto.

1.21. The **"Sixth Purchase Agreement"** means that certain Share Purchase Agreement between the Company and others entered into in May 2006, and any addendums thereto.

1.22. The "**Original Agreements**" means the Original Purchase Agreement, the Subsequent Purchase Agreement and the Third Purchase Agreement.

1.23. "**Majority Investors**" shall mean the holders of the majority of the voting power of the Preferred Shares, on an as-converted basis.

1.24. "**Recapitalization Event**" means any share combination or subdivision, bonus shares or any other recapitalization of the Company's shares.

1.25. "**Securities Act**" means the applicable securities law(s).

2. Unless the subject or the context otherwise requires: words and expressions defined in the Law or in the Ordinance, to the extent still in effect as set forth in the Law, shall have the same meanings herein; words and expressions importing the singular shall include the plural and vice versa; words and expressions importing the masculine gender shall include the feminine gender; and words and expressions importing persons shall include bodies corporate. Headings to Articles herein are for convenience only, and shall not affect the meaning or interpretation of any provision hereof.

3. **Certain Restrictions**

The Company is restricted as follows:

3.1. The right to transfer shares is restricted in the manner hereinafter provided;

3.2. The number of Shareholders of the Company at any time (other than employees or former employees of the Company) shall not exceed 50; provided, however, that if two or more individuals hold a share or shares of the Company jointly, they shall be deemed to be one shareholder for purposes of this Article.

3.3. Any invitation to the public to subscribe for any shares or debentures of the Company is prohibited.

3.4. The liability of each Shareholder is limited to the unpaid portion of the par value of each share held by such Shareholder.

3.5. The Company may make contributions of reasonable sums and/or issue securities of

the Company representing up to one percent (1%) of its issued and outstanding share capital to worthy purposes, determined as such by the Directors, even if such contributions are not made on the basis of business considerations.

4. **Capital**

The authorized share capital of the Company is NIS20,000,000, divided into the following series of shares:

4.1. 194,628,607 Ordinary Shares par value NIS 0.10 each ("**Ordinary Shares**").

4.2. 268,761 Ordinary Shares (Series A) par value NIS 0.10 each ("**Ordinary Shares** (**Series A**)"); unless otherwise specifically stated herein, all references to Ordinary Shares herein shall include all Ordinary Shares (Series A).

4.3. 776,562 Series A Preferred Shares par value NIS 0.10 each ("**Preferred A Shares**").

4.4. 2,998,942 Series B Preferred Shares par value NIS 0.10 each ("**Preferred B Shares**").

4.5. 89,826 Series C Preferred Shares par value NIS 0.10 each ("**Preferred C Shares**").

4.6. 785,145 Series D Preferred Shares par value NIS 0.10 each ("**Preferred D Shares**").

4.7. 452,157 Series E Preferred Shares par value NIS 0.10 each ("**Preferred E Shares**").

5. **The Ordinary Shares and Ordinary Shares (Series A)**

(a) Subject to the rights and privileges of the Preferred Shares, the holders of Ordinary Shares are entitled to receive notices of, and to attend, general meetings of the Shareholders; for each Ordinary Share held — to one vote at all Shareholders' meetings for all purposes, and to share equally, on a per share basis, in such dividends as may be declared by the Board of Directors and approved by the shareholders out of funds legally available therefor, and upon liquidation or dissolution — in the assets of the Company legally available for distribution to shareholders after payment of all debts and other liabilities of the Company.

(b) Subject to the rights and privileges of the Preferred Shares, the holders of Ordinary Shares (Series A) are entitled to the same rights and privileges as the holders of Ordinary Shares, except that:

(i) each Ordinary Share (Series A) shall be automatically converted into one fully paid and non-assessable Ordinary Share (such conversion ratio, the "**Ordinary Conversion Price**") immediately prior to the consummation of an IPO, subject only to adjustment as set forth in clause (ii) hereof; and

(ii) Until the IPO, upon each issuance by the Company of any Additional Shares (as defined in Article 6.3.3 below), after the date upon which any of the Ordinary Shares (Series A) were first issued, without consideration or at a price per share lower than $3.72075 (as adjusted for any stock split, bonus shares or other recapitalization), then immediately following such issuance, the Ordinary Conversion Price shall be reduced and determined in accordance with the provisions of Article 6.3 hereof, mutatis mutandis.

6. **The Preferred Shares**

6.1. Liquidation Preference. In the event of (i) any dissolution or liquidation of the Company; (ii) any bankruptcy or insolvency proceeding under any bankruptcy or insolvency or similar law, whether voluntary or involuntary, is properly commenced by or against the Company; or (iii) the appointment of a receiver or liquidator to all or substantially all of the Company's assets (a "**Liquidation Event**") any assets of the Company available for distribution shall be distributed pursuant to the following order

of preference:

6.1.1. The holders of the Preferred E Shares shall be entitled to receive out of the assets of the Company available for distribution, prior to and in preference to any payments to any of the holders of any other classes of shares of the Company, per each Preferred E Share, an amount in US$ equal to the applicable Original Issue Price paid to the Company per each Preferred E Share, adjusted for any Recapitalization Event plus any declared but unpaid dividends in respect of each Preferred E Share (the "**Preference E Amount**"); if the assets of the Company available for distribution are not sufficient so as to permit payment in full of the Preference E Amount as aforesaid, all the assets of the Company available for distribution shall be distributed to the holders of the Preferred E Shares, on a pro-rata pari-passu basis.

Notwithstanding the aforesaid in this Articles 6.1.1, in the event that a pro rata (assuming for purposes of this Article 6.1.1 the conversion of all of the Preferred Shares and Ordinary Shares (Series A) into Ordinary Shares), pari passu, no preference distribution of the assets of the Company available for distribution to the Shareholders would yield to the holders of the Preferred E Shares, Preferred D Shares and to the holders of Preferred C Shares, an amount per each Preferred E Share, Preferred D Share and Preferred C Share (each as converted) which is more than (or equal to) three times the Original Issue Price of the Preferred C Shares (such amount, on the date these Articles are adopted is equal to US$94.515), all of the Company's assets then available for distribution shall be distributed to all Shareholders of the Company, including the holders of the Preferred E Shares, on a pro rata, as-converted, no-preference basis.

6.1.2. After payment in full of the Preference E Amount, the holders of the Preferred D Shares shall be entitled to receive out of the remaining assets of the Company available for distribution, prior to and in preference to any payments to any of the holders of any other classes of shares of the Company, per each Preferred D Share, an amount in US$ equal to the applicable Original Issue Price paid to the Company per each Preferred D Share, adjusted for any Recapitalization Event plus any declared but unpaid dividends in respect of each Preferred D Share (the "**Preference D Amount**"); if the remaining assets of the Company available for distribution are not sufficient so as to permit payment in full of the Preference D Amount as aforesaid, all the remaining assets of the Company available for distribution shall be distributed to the holders of the Preferred D Shares, on a pro-rata pari-passu basis.

Notwithstanding the aforesaid in this Articles 6.1.2 and the provisions of the first paragraph of Article 6.1.1, in the event that a pro rata (assuming for purposes of this Article 6.1.2 the conversion of all of the Preferred Shares and Ordinary Shares (Series A) into Ordinary Shares), pari passu, no preference distribution of the assets of the Company available for distribution to the Shareholders would yield to the holders of the Preferred E Shares, the Preferred D Shares and to the holders of Preferred C Shares, an amount per each Preferred E Share, Preferred D Share and Preferred C Share which is more than (or equal to) three times the Original Issue Price of the Preferred C Shares (such amount, on the date these Articles are adopted is equal to

US$94.515), all of the Company's assets then available for distribution shall be distributed to all Shareholders of the Company, including the holders of the Preferred E Shares and the holders of the Preferred D Shares, on a pro rata, as-converted, no-preference basis.

6.1.3. After payment in full of the Preference E Amount and the Preference D Amount, the holders of the Preferred C Shares shall be entitled to receive out of the remaining assets of the Company available for distribution, prior to and in preference to any payments to any of the holders of any other classes of shares of the Company, per each Preferred C Share, an amount in US$ equal to the applicable Original Issue Price paid to the Company per each Preferred C Share, adjusted for any Recapitalization Event plus any declared but unpaid dividends in respect of each Preferred C Share (the "**Preference C Amount**"); if the remaining assets of the Company then available for distribution are not sufficient so as to permit payment in full of the Preference C Amount as aforesaid, then all the remaining assets of the Company then available for distribution shall be distributed to the holders of the Preferred C Shares, on a pro-rata pari-passu basis.

Notwithstanding the aforesaid in this Articles 6.1.3 and the provisions of the first paragraph of Articles 6.1.1 and 6.1.2, in the event that a pro rata (assuming for purposes of this Article 6.1.3 the conversion of all of the Preferred Shares and Ordinary Shares (Series A) into Ordinary Shares), pari passu, no preference distribution of the assets of the Company available for distribution to the Shareholders would yield to the holders of the Preferred E Shares, the Preferred D Shares and Preferred C Shares, an amount per each Preferred E Share, Preferred D Share and Preferred C Share which is more than (or equal to) three times the Original Issue Price of the Preferred C Shares (such amount, on the date these Articles are adopted is equal to US$94.515), all of the Company's assets then available for distribution shall be distributed to all Shareholders of the Company, including the holders of the Preferred E Shares, Preferred D Shares, on a pro rata, as-converted, no-preference basis.

6.1.4. After payment in full of the Preference E Amount, the Preference D Amount and the Preference C Amount, the holders of the Preferred B Shares shall be entitled to receive out of the remaining assets of the Company available for distribution, prior to and in preference to any payments to any of the holders of any other classes of shares of the Company, per each Preferred B Share, an amount in US$ equal to the applicable Original Issue Price paid to the Company per each Preferred B Share, adjusted for any Recapitalization Event plus any declared but unpaid dividends in respect of each Preferred B Share (the "**Preference B Amount**"); if the remaining assets of the Company then available for distribution are not sufficient so as to permit payment in full of the Preference B Amount as aforesaid, then the remaining assets of the Company then available for distribution shall be distributed to the holders of the Preferred B Shares, on a pro-rata pari-passu basis.

Notwithstanding the aforesaid in this Articles 6.1.4, in the event that following payment of the Preference E Amount, the Preference D Amount and the Preference C Amount, as applicable, a pro rata (assuming for purposes of this Article 6.1.4 the conversion of all of the Preferred Shares and

Ordinary Shares (Series A) into Ordinary Shares), pari passu, no preference distribution of the remaining assets of the Company available for distribution to the Shareholders would yield to the holders of the Preferred B Shares, an amount per Preferred B Share which is more than (or equal to) three times the Original Issue Price of the Preferred B Shares (such amount, on the date these Articles are adopted is equal to US$23.835), then all of such remaining assets shall be distributed to all Shareholders of the Company, including the holders of the Preferred Shares, on a pro rata, as-converted, no-preference basis.

6.1.5. After payment in full of the Preference E Amount, the Preference D Amount, the Preference C Amount and the Preference B Amount, the holders of the Preferred A Shares shall be entitled to receive out of the remaining assets of the Company available for distribution, prior to and in preference to any payments to any of the holders of any other classes of shares of the Company, per each Preferred A Share, an amount in US$ equal to the applicable Original Issue Price paid to the Company per each Preferred A Share, adjusted for any Recapitalization Event plus any declared but unpaid dividends in respect of each Preferred A Share (the "**Preference A Amount**"); if the remaining assets of the Company then available for distribution are not sufficient so as to permit payment in full of the Preference A Amount as aforesaid, then the remaining assets of the Company then available for distribution shall be distributed to the holders of the Preferred A Shares, on a pro-rata pari-passu basis.

Notwithstanding the aforesaid in this Articles 6.1.5, in the event that following payment of the Preference E Amount, the Preference D Amount, the Preference C Amount and the Preference B Amount, as applicable a pro rata (assuming for purposes of this Article 6.1.5 the conversion of all of the Preferred Shares and Ordinary Shares (Series A) into Ordinary Shares), pari passu, no preference distribution of the remaining assets of the Company available for distribution to the Shareholders would yield to the holders of the Preferred A Shares, an amount per Preferred A Share which is more than (or equal to) three times the Original Issue Price of the Preferred A Shares (such amount, on the date these Articles are adopted is equal to US$16.6125), then all such remaining assets shall be distributed to all Shareholders of the Company, including the holders of the Preferred Shares, on a pro rata, as-converted, no-preference basis

6.1.6. After payment in full of the Preference E Amount, the Preference D Amount, the Preference C Amount, the Preference B Amount and the Preference A Amount, the remaining assets of the Company then available for distribution shall be distributed pro-rata among all the Shareholders of the Company, including the holders of Preferred E, D, C, B and A Shares, in proportion to their respective shareholdings in the Company, on an as-converted basis.

6.2. Deemed Liquidation Preference. A merger, consolidation, reorganization in which the holders of a majority of the Company's shares prior to such transaction do not hold a majority of the surviving entity's shares following such transaction, or sale of all or substantially all of the Company's shares or assets shall also be deemed a Liquidation Event unless otherwise agreed by the Majority Investors, unless such consent shall have (or has the potential to cause within the framework of such transaction) a disproportionate adverse affect on, or is at the expense of, any certain class of

Preferred Shares, in which case a written consent of the holders of a majority of such class of Preferred Shares shall be required (a "**Deemed Liquidation**").

6.2.1. If the consideration received by the Company or by the holders of the Preferred Shares, as the case may be, is other than cash, its value will be deemed its fair market value. Any securities shall be valued as follows:

6.2.1.1. Securities not subject to investment letter or other similar restrictions on free marketability covered by 6.2.1.2 below:

(a) If traded on a securities exchange or through the Nasdaq Stock Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange or system over the thirty (30) day period ending three (3) business days prior to the closing;

(b) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid or sale prices (whichever is applicable) over the thirty (30) day period ending three (3) business days prior to the closing; and

(c) If there is no active public market, the value shall be the fair market value thereof, as mutually and in good faith determined by the Company and the Majority Investors, provided, however, that if the Majority Investors and the Company cannot mutually and in good faith agree on such valuation, the fair market value shall be determined by an independent U.S. investment bank of national stature, retained by the Company, at its own cost and expense, which shall be retained to conduct a valuation of such consideration, such valuation to be binding upon all holders of the Company's share capital. The selection of an investment bank as provided for in the foregoing sentence shall be subject to the approval of the Majority Investors.

6.2.1.2. The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a shareholder's status as an affiliate or former affiliate) shall be to make an appropriate discount from the market value determined as above to reflect the approximate fair market value thereof, as mutually and in good faith determined by the Company and the Majority Investors; *provided*, *however*, that if the Majority Investors and the Company cannot mutually agree on such valuation, the fair market value shall be determined by an independent U.S. investment bank of national stature, retained by the Company, at its own cost and expense, which shall be retained to conduct a valuation of such consideration, such valuation to be binding upon all holders of the Company's share capital. The selection of an investment bank as provided for in the foregoing sentence shall be subject to the approval of the Majority Investors.

6.2.2. The Company shall give each holder of record of Preferred Shares written notice of such impending Deemed Liquidation not later than ten (10) days prior to the shareholders' meeting called to approve such transaction, or ten (10) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such

transaction. The first of such notices shall describe the material terms and conditions of the impending transaction and the provisions of this Article 6, and the Company shall thereafter give such holders prompt notice of any material changes in the terms and conditions of the transaction. The transaction shall in no event take place sooner than ten (10) days after the Company has given the first notice provided for herein or sooner than ten (10) days after the Company has given notice of any material changes to the information provided in a notice provided for herein; *provided*, *however*, that such periods may be shortened upon the written consent of the Majority Investors that are entitled to such notice rights or similar notice rights.

6.3. Conversion

The holders of the Preferred Shares shall have conversion rights as follows (the "**Conversion Rights**"):

6.3.1. Right to Convert

(a) Each Preferred Share shall be convertible, at the option of the holder of such share, at any time after the date of issuance of such share, into such number of fully paid and non-assessable Ordinary Shares as is determined by dividing the applicable Original Issue Price for such share by the conversion price at the time in effect for such share (the "**Conversion Price**"). The Conversion Price of the Preferred Shares as of the Closing of the Sixth Purchase Agreement shall be as follows:

Preferred A Shares: US$ 5.5375 per share;

Preferred B Shares: US$ 7.945 per share;

Preferred C Shares: US$ 25.7155 per share;

Preferred D Shares: US$ 10.2256 per share;

Preferred E Shares: US$ 12.1641 per share;

provided, however, that the Conversion Price for the Preferred Shares shall be subject to adjustment: (i) in accordance with any Recapitalization Event, and (ii) pursuant to the anti-dilution provisions set forth herein;

(b) Each Preferred Share shall automatically be converted into fully paid and non-assessable Ordinary Shares by dividing the applicable Original Issue Price by the Conversion Price at the time in effect for such Preferred Share, immediately prior to the consummation of an IPO.

(c) Without limiting the forgoing, in the event that in an IPO the closing price per share of the Company established for the purpose of the IPO (in this Article 6.3.1(c), "**Offering Price Per Share**") multiplied by the number of Ordinary Shares issuable upon the conversion of all of the Preferred C Shares, shall not yield to the holders of the Preferred C Shares, an amount equal to at least three times the applicable Original Issue Price per each Preferred C Share multiplied by the number of Preferred C Shares, then the conversion ratio for the Preferred C Shares shall be adjusted so that the holders of the Preferred C Shares, respectively, shall be entitled to receive, upon conversion of the Preferred C Shares, such total number of Ordinary Shares (the "**Special Ordinary Conversion Shares**") in accordance with and subject to the principles stated in the subsequent paragraphs, which shall substitute any other adjustment of the Conversion Price of the Preferred C Shares under these Articles.

Solely for purposes of the calculation of the number of Special Ordinary Conversion Shares, the following terms shall apply:

"Deemed Fully Diluted Share Capital" or "**FD**" shall mean, as at immediately prior to the closing of an IPO, the sum of (1) the number of the issued and outstanding shares of the Company, on an as converted basis, excluding shares held in escrow the consideration in full for which was not paid; (2) to the extent any warrant or right to purchase Preferred Shares is not exercised (including an exercise contingent upon the closing of such IPO) by payment of cash to the Company and does not expire upon the closing of the IPO, the number of the shares that would have been issued under such warrant or right had it been fully exercised through a "net" or "cashless" exercise upon the closing of the IPO (i.e., such number of shares that would have been the result of dividing the (i) excess of the product of the Offering Price Per Share and the total number of shares underlying the applicable warrant or right to purchase over the total price payable in the event of exercise in full of such warrant or right, by (ii) the Offering Price per Share); and (3) the number of all Ordinary Shares issuable upon exercise of all then outstanding options and warrants to purchase Ordinary Shares, regardless of vesting terms thereof.

"Deemed IPO Proceeds" shall mean the product of the Offering Price Per Share and the Deemed Fully Diluted Share Capital.

"**Deemed Preference Distribution Amount**" shall mean the sum of the Preference E Amount, the Preference D Amount, the Preference C Amount, the Preference B Amount and the Preference A Amount, as at immediately prior to the closing of the IPO. For purposes of calculation of such preference amounts, the Original Issue Price of any Preferred Share that is deemed to have been issued upon a "net" or "cashless" exercise as stated in paragraph (1) of the definition of Deemed Fully Diluted Share Capital shall be deemed to be equal to the payment that would have been made to the Company for such Preferred Share had it been issued for cash under the terms of its applicable warrant or right to purchase. The Original Issue Price of any Preferred Share that is to be issued upon exercise of a warrant in consideration for payment of its par value shall be deemed to be equal to zero.

"**Deemed Pro-Rata Distribution Amount**" shall mean the Deemed IPO Proceeds minus the Deemed Preference Distribution Amount.

"**Deemed C Outstanding**" or "**C**" shall mean the total number of Ordinary Shares resulting from the theoretical conversion of the Preferred C Shares into Ordinary Shares immediately prior to the closing of the IPO (without taking into account the adjustment under this Article 6.3.1(c), but taking into account the then existing conversion ratio of the Preferred C Shares into Ordinary Shares).

"**Deemed C Pro-Rata Portion**" shall mean the quotient of the Deemed C Outstanding divided by the Deemed Fully Diluted Share Capital.

"**Deemed C Preference Amount**" shall mean the Preference C Amount, as calculated immediately prior to the closing of the IPO.

"**Deemed C Pro-Rata Amount**" shall mean the product of the Deemed C Pro-Rata Portion and the Deemed Pro-Rata Distribution Amount.

"**Deemed C Total Amount**" shall mean the sum of the Deemed C Preference Amount and the Deemed C Pro-Rata Amount.

"**Required C Percentage**" or "**C%**" shall mean the percent of the Deemed C Total Amount in relation to the Deemed IPO Proceeds.

The number of the Special Ordinary Conversion Shares shall be equal to the result of the following formula:

(FD-C)*C%/(100%-C%)

Attached as **Exhibit A** to these Articles is an illustration of the calculation of the Special Ordinary Conversion Shares, based on the theoretical assumptions stated in such Exhibit.

6.3.2. Mechanics of Conversion

Before any holder of Preferred Shares shall be entitled to convert the same into Ordinary Shares the holder shall surrender the certificate or certificates thereof at the office of the Company and shall give written notice by registered mail, postage prepaid, to the Company of the election to convert the same. The Company shall, as soon as practicable thereafter, issue and deliver to such holder of Preferred Shares a certificate or certificates for the number of Ordinary Shares to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the Preferred Shares to be converted, and the person or persons entitled to receive the Ordinary Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Ordinary Shares as of such date. Notwithstanding anything to the contrary, any conversion of Preferred Shares pursuant to these Articles shall not require any action, document (except for reporting and recording with the Registrar of Companies) or consent of the Company, the Shareholders or any of them or the Board of Directors and shall be effected and recorded by the Company automatically pursuant to the terms and process specified in this Article 6.3. All Shareholders, directors and the Company are obligated by the foregoing, and without derogating from the foregoing are committed to promptly take any action required to give effect to the foregoing and to duly effect a conversion pursuant to the terms hereof.

6.3.3. Conversion Price Adjustments of Preferred E Shares, Preferred D Shares, Preferred C Shares, Preferred B Shares and Preferred A Shares

6.3.3.1. The Conversion Price of the Preferred E Shares, Preferred D Shares, Preferred C Shares, Preferred B Shares and the Preferred A Shares shall be subject to adjustment from time to time as follows: (a) Until an IPO, upon each issuance by the Company of any Additional Shares (as defined below), after the date upon which any of the Preferred E Shares, Preferred D Shares, Preferred C Shares, Preferred B Shares or Preferred A Shares, as applicable, were first issued (the first issuance or grant date is referred to as the "**Purchase Date**"), without consideration or at a price per share lower than the Conversion Price in effect immediately prior to such issuance, as defined below ("**Dilutive Securities**"), then, the applicable Conversion Price shall be reduced in accordance with the following formula:

$$CP = \frac{(a \times P') + (c \times P'')}{(a+c)}$$

in which: **a** is the number of Ordinary Shares of the Company, on an as converted basis, outstanding immediately prior to the relevant issuance of Dilutive Securities (on a fully diluted basis after giving effect to all outstanding options or warrants to purchase Ordinary or Preferred Shares except such options or warrants the exercise price of which is higher than the Conversion Price then in effect, and assuming the conversion into Ordinary Shares of all convertible securities); **c** is the number of Dilutive Securities; **P'** is, for the first issuance of Dilutive Securities, the Original Issue Price of the Preferred E Shares, Preferred D Shares, Preferred C Shares, Preferred B Shares or Preferred A Shares, as applicable, and for any successive issuance of Dilutive Securities, the most recent Conversion Price of the Preferred E Shares, Preferred D Shares, Preferred C Shares, Preferred B Shares or Preferred A Shares, as applicable, calculated as aforesaid; and **P"** is the price per share of the Dilutive Securities.

(b) No adjustments of the Conversion Price for the Preferred E Shares, Preferred D Shares, Preferred C Shares, Preferred B Shares or Preferred A Shares, as applicable, shall be made in an amount less than one hundredth of a cent per share ($0.0001). No adjustment of such Conversion Price pursuant to Articles 6.3.3.1(a) through 6.3.3.1(f) shall be made if it has the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.

(c) In the case of the issuance of Additional Shares for cash, the consideration shall be deemed to be the amount of cash received therefor after deducting from such cash amount any discounts, or underwriting commissions paid or incurred by the Company in connection with the issuance and sale thereof.

(d) In the case of the issuance of Additional Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Board of Directors of the Company.

(e) In the case of the issuance of options to purchase or rights to subscribe for Additional Shares, or securities by their terms convertible into or exchangeable for Additional Shares or options to purchase or rights to subscribe for such convertible or exchangeable securities (collectively, "**Options**"), the aggregate maximum number of Additional Shares deliverable upon exercise (assuming the satisfaction of any conditions to exercisability, including without limitation the passage of time, but without taking into account potential antidilution adjustments), conversion or exchange, as the case may be, of such Options, shall be deemed to have been issued at the time full consideration for the shares deliverable upon exercise, conversion or exchange, as the case may be, of such Options have been paid for at a consideration equal to the

consideration (determined in the manner provided in Articles 6.3.3.1(c) and 6.3.3.1(d)), if any, received by the Company for such Options upon the issuance of such Options plus any additional consideration payable to the Company pursuant to the terms of such Options (without taking into account potential anti dilution adjustments) for the Additional Shares covered thereby.

(f) For purposes of Article 6.3.3.1(a) hereof, the consideration for any Additional Shares shall be taken into account at the U.S. dollar equivalent thereof, on the day such Additional Shares are issued or deemed to be issued pursuant to Article 6.3.3.1(e).

"**Additional Shares**" shall mean shares of any class issued (or deemed to have been issued pursuant to Article 6.3.3.1(e)) by the Company after the Purchase Date other than: (i) shares issued pursuant to a transaction described in Article 6.3.1, Article 6.3.3.2 or Article 6.3.3.3 hereof; (ii) with regard to each Preferred Share, Ordinary Shares or any other security pursuant to a share option granted prior to the respective date on which such Preferred Share was issued, or shares or any other securities granted to employees or consultants of the Company under stock purchase or option plans approved by the Board of Directors; and (iii) Ordinary Shares issued upon the conversion of the Preferred Shares or the Ordinary Shares (Series A).

6.3.3.2. If the Company shall subdivide or combine its Ordinary Shares, the Conversion Price shall be proportionately reduced, in case of subdivision of shares, or shall be proportionately increased in the case of combination of shares.

6.3.3.3. If the Company at any time shall pay a dividend payable in additional Ordinary Shares or other securities or rights convertible into, or entitling the holder thereof to receive directly or indirectly, additional Ordinary Shares not received by the holders of the Preferred Shares on an as-converted basis (hereinafter referred to as "**Ordinary Share Equivalents**"), then the Conversion Price shall be adjusted as at the date the Company shall fix as the record date for the purpose of receiving such dividend (or if no such record date is fixed, as at the date of such payment), to that price determined by multiplying the Conversion Price in effect immediately prior to such record date (or if no such record date is fixed then immediately prior to such payment) by a fraction, (a) the numerator of which shall be the total number of Ordinary Shares outstanding immediately prior to such dividend, and (b) the denominator of which shall be the total number of Ordinary Shares outstanding immediately after such dividend (plus, in the event that the Company paid cash for fractional shares, the number of additional shares which would have been outstanding had the Company issued fractional shares in connection with such dividend).

6.3.3.4. Subject to Article 6.1, if the Company at any time shall make a distribution of its assets to the holders of its Ordinary Shares as a dividend in liquidation or partial liquidation or by way of return of

capital or other than as a dividend payable out of earnings or surplus legally available for dividends, the holders of Preferred Shares shall be entitled to receive their liquidation preference, as set forth in Article 6.1, on an as-converted basis as of the record date for such distribution; and an appropriate provision therefor shall be made a part of any such distribution.

6.3.4. Other Distributions

In the event the Company shall declare a distribution payable in securities of other Persons, evidence of indebtedness issued by the Company or other Persons, assets (including cash dividends) or options or rights not referred to in Article 6.3.3 then, in each such case for the purpose of this Article 6.3.4, the holders of the Preferred Shares shall be entitled to receive such distribution in respect of their holdings, on an as-converted basis as of the record date for such distribution.

6.3.5. Recapitalizations

If at any time or from time to time there shall be a recapitalization of the Ordinary Shares (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Article 6 and other than Deemed Liquidation under Section 6.2), provision shall be made so that the holders of the Preferred Shares shall thereafter be entitled to receive upon conversion of the Preferred Shares the number of Ordinary Shares or other securities or property of the Company or otherwise, to which a holder of Ordinary Shares deliverable upon conversion of the Preferred Shares would have been entitled immediately prior to such recapitalization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Article with respect to the rights of the holders of the Preferred Shares after the recapitalization to the end that the provisions of this Article (including adjustment of the Conversion Price then in effect and the number of shares issuable upon conversion of the Preferred Shares) shall be applicable after that event as nearly equivalent as may be practicable.

6.3.6. No Impairment

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

6.3.7. No Fractional Shares and Certificates as to Adjustments

(a) No fractional shares shall be issued upon conversion of the Preferred Shares, and the number of Ordinary Shares to be issued shall be rounded to the nearest whole share.

(b) Upon the occurrence of each adjustment of the Conversion Price of Preferred Shares pursuant to this Article 6, the Company, at its expense, shall promptly compute such adjustment in accordance with the terms hereof and

prepare and furnish to each holder of Preferred Shares a certificate setting forth each adjustment and showing in detail the facts upon which such adjustment is based. The Company shall furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustment, (ii) the Conversion Price at the time in effect, and (iii) the number of Ordinary Shares and the amount, if any, of other property which at the time would be received upon the conversion of a Preferred Share.

6.3.8. Notices of Record Date

In the event of any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (including a cash dividend) or other distribution, any right to subscribe for, purchase or otherwise acquire any shares of any class or any other securities or property, or to receive any other right, the Company shall mail to each holder of shares, at least 20 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and the amount and character of such dividend, distribution or right.

6.3.9. Reservation of Shares Issuable Upon Conversion

The Company shall at all times reserve and keep available out of its authorized but unissued Ordinary Shares, solely for the purpose of effecting the conversion of the Preferred Shares, such number of its Ordinary Shares as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Shares; and if at any time the number of authorized but unissued Ordinary Shares shall not be sufficient to effect the conversion of all then outstanding Preferred Shares, in addition to such other remedies as shall be available to the holder of such Preferred Shares, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Ordinary Shares to such number of shares as shall be sufficient for such purposes.

6.4. Voting Rights

The holder of each share of the Preferred Shares shall have the right to one vote for each share of Ordinary Shares into which such Preferred Shares could then be converted (with any fractional share determined on an aggregate conversion basis being rounded to the nearest whole share), and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of Ordinary Shares, and shall be entitled, notwithstanding any provision hereof, to notice of any shareholders' meeting in accordance with the Articles of Association of the Company, and shall be entitled to vote, together with holders of Ordinary Shares and not as a separate class, with respect to any question upon which holders of Ordinary Shares have the right to vote.

Shares

7. Subject to the provisions of the Law and these Articles, including Article 146, the unissued shares of the Company shall be at the disposal of the Directors who may without limiting or affecting any rights previously conferred on the holders of any existing shares or class of shares offer, allot, grant options over or otherwise dispose of shares to such persons, at such times and upon such terms and conditions as the Company may by resolution of Directors

determine.

8. Subject to the provisions of the Law and Article 146, the Company may issue shares having the same rights as the existing shares, or having preferred or deferred rights, or rights of redemption, or restricted rights, or any other special right in respect of dividend distributions, voting, appointment or dismissal of Directors, return of share capital, distribution of Company's property, or otherwise, all as determined by the Company from time to time, provided that such issuance shall not infringe on any other provision of these Articles or any special right previously granted to a Shareholder to the extent such rights are still in effect.

9. Subject to the provisions of Sections 312 and 313 of the Law and these Articles, the Company may issue redeemable shares and redeem them.

10. Pre–emptive Rights. If at any time prior to an IPO the Company proposes to issue and sell New Securities, as defined below, it shall enable each of the holders of the Ordinary Shares and the holders of Preferred Shares ("**Offerees**") to maintain his or its proportionate holdings of the share capital of the Company, on an as converted basis, as follows:

    10.1. "**New Securities**" shall mean any share capital of the Company, whether or not now authorized, and rights, options or warrants to purchase share capital, and securities of any type whatsoever that are, or may become, convertible into share capital; provided that the term "New Securities" shall not include (i) shares of the Company issuable upon exercise of options or warrants outstanding on the date of the Original Purchase Agreement, the Subsequent Purchase Agreement, the Third Purchase Agreement, the Fourth Purchase Agreement, the Fifth Purchase Agreement or the Sixth Purchase Agreement, or granted under one of them; (ii) securities offered to the public in an IPO; (iii) securities issued to employees, directors or consultants of the Company pursuant to any share option plan or share purchases or share bonus arrangement approved by the Board of Directors of the Company; (iv) securities issued pursuant to a stock split, Recapitalization Event, reclassification or payment of any dividend or distribution with respect to the Company's issued and outstanding capital stock; (v) securities issued upon the conversion of Preferred Shares or Ordinary Shares (Series A); (vi) securities issued pursuant to the acquisition of another entity by the Company whereby the shareholders of the Company will own not less than a majority of the voting power of the surviving entity; and (vii) securities issued to a strategic partner or investor at a price per share not less than the Original Issue Price of the Preferred E Shares, provided that the total of the securities issued sunder this paragraph (vii) does not exceed 10% of the Company's share capital on a fully diluted basis.

    10.2. In the event the Company undertakes an issuance of New Securities, it shall give each Offeree written notice thereof, which notice shall be given prior to such issuance, describing the type of New Securities and the price and the terms upon which the Company proposes to issue the same, and offering such Offeree to purchase such number of such New Securities as is necessary for such Offeree to retain the proportion of the Company's issued and outstanding share capital, on an as-converted basis, which it held immediately prior to such issuance, for the price and upon the same terms specified in such notice. Such Offeree shall have fourteen (14) days from the date of such notice to accept such offer, alone or together with its Permitted Transferees (as defined below), in whole or in part, by written notice to the Company, provided that if the purchase by such Offeree is being effected prior to, or concurrently with such issuance of New Securities (rather than subsequent thereto) then such Offeree shall be obligated to consummate the purchase of such New Securities only if the Company consummates the sale of the balance of the New Securities, pursuant to

the terms described in such notice.

10.3. If the Offeree, alone or together with its Permitted Transferees, fails to accept such offer as to all or part of the New Securities apportioned to it within the time period set forth in Article 10.2, the Company shall have the right within one hundred and twenty (120) days thereafter to sell or enter into an agreement (pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within sixty (60) days), to sell the New Securities as to which such offer was not accepted, provided, however, that no such sale be effected at a price or upon terms more favorable to the purchasers thereof than those specified in the Company's notice pursuant to Article 10.2. In the event the Company has not sold or entered into an agreement to sell such New Securities within the periods specified above, the Company shall not thereafter issue or sell such New Securities without first complying with the procedure set forth in this Article.

10.4. For the purposes hereof, a "**Permitted Transferee**" of a Shareholder shall mean (a) such Shareholder's spouse or child; (b) a corporate entity which controls, is controlled by, or is under common control with such Shareholder; (c) any of the general and/or limited partners of such Shareholder, or their controlling persons or entities, either directly or through another entity; (d) any entity which is a general partner of the entities described in subarticles (b) and (c) and any limited partner of such general partner, (e) any investment fund or similar entity managed by the Shareholder or its affiliated entity; (f) one or more of such Shareholder's investors, directors or officers or to entities that manage or co-manage, directly or indirectly, such Shareholder or are managed by such Shareholder, or any of its general or limited partners; (g) any investment fund or similar entity managed or co-managed by one or more of such Shareholder's directors or officers; (h) with respect to NJI No. 3 Investment Fund only (as defined under the Third Purchase Agreement), Jafco Investment (Asia Pacific) Ltd, formerly known as (Nomura/Jafco Investment (Asia) Ltd.), or a similar entity managed by Jafco Investment (Asia Pacific) Ltd, or a nominee or a trustee of NJI No.3 Investment Fund or Jafco Investment (Asia Pacific) Ltd. for the benefit of either of them.; (i) to a trustee (including a trustee of a voting trust) or from such trustee to its beneficiary; (j) with respect to Genesis (as defined under the Third Purchase Agreement), a transfer to Genesis Partners II L.D.C. and/or to E. Shalev Management Ltd.; (k) deleted; (l) with respect to TFV II Investors (as defined under the Third Purchase Agreement): (i) any entity including any corporate body or partnership) that is controlled by TFV II Investors, or which is controlled by a member of TFV II Investors Group, or which is controlled by TFV II Investors together with a member of TFV II Investors or their affiliates exercise investment discretion or act as principal investment advisors, and any entity managed by any of the above said entities, (ii) any member of TFV II Investors Group. For the purpose of this definition a "Group" or "TFV II Investors Group" shall mean, in relation to any entity in the group which is a company — a subsidiary or holding company of such company or a subsidiary or holding company of such a holding company (and so on), and in relation to any entity in the group which is a Venture Capital Fund — any fund who is part of such a Venture Capital Fund, including any of its limited partners or general partners; (m) with respect to Partech International Growth Capital I LLC (in addition to subsections (a)-(f) of this Article 10.4) Partech International Growth Capital II LLC, Partech International Growth Capital III LLC, AXA Growth Capital II L.P., Double Black Diamond II LLC, and Multinvest LLC (each a "**Partech Fund**" and together the "**Partech Funds**") to any person who is manager, advisor or administrator of a Partech Fund and to any successor fund or investors, including former investors, of a Partech Fund that is a

shareholder in the Company; (n) with respect to Jerusalem Venture Partners IV LP, Jerusalem Venture Partners IV-A LP, Jerusalem Venture Partners Entrepreneurs Fund IV LP and Jerusalem Venture Partners IV (Israel) LP (each a "**JVP Fund**" and together the "**JVP Funds**"): (i) any entity (including any corporate body or partnership) that is controlled by a JVP Fund, or which is controlled by a member of the JVP Fund Group, or which is controlled by a JVP Fund together with a member of JVP Funds or their affiliates exercise investment discretion or act as principal investment advisors, and any entity managed by any of the above said entities, (ii) any member of JVP Fund Group. For the purpose of this definition a "Group" or "JVP Fund Group" shall mean, in relation to any entity in the group which is a company — a subsidiary or holding company of such company or a subsidiary or holding company of such a holding company (and so on), and in relation to any entity in the group which is a Venture Capital Fund — any fund who is part of such a Venture Capital Fund, including any of its limited partners or general partners.

10A. Reserved.

11. The Company may issue from time to time share warrants the terms and conditions of which shall be determined by the Board of Directors in accordance with these Articles.

12. Subject to the provisions of the Law, the Company shall be permitted to pay any Person a commission, in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for shares in the Company.

13. The Company shall not be bound to recognize any equitable, contingent, future or partial interest in any share or any other right whatsoever in any share other than an absolute right to the entirety thereof in the registered holder.

14. If two or more Persons are registered as joint holders of a share:

14.1. They shall be jointly and severally liable for any calls or any other liability with respect to such share. However, with respect to voting, power of attorneys and furnishing of notices, the one registered first in the Register shall be deemed to be the sole owner of the share unless all the registered joint holders notify the Company in writing to treat another one of them as the sole owner of the share.

14.2. Each one of them shall be permitted to give receipts binding all the joint holders for dividends or other moneys or property received from the Company in connection with the share and the Company shall be permitted to pay all the dividend or other moneys or property due with respect to the share to one or more of the joint holders, as it shall choose.

15. Share certificates shall be issued under the stamp of the Company and shall bear the signatures of one director, or of any other person or persons authorized thereto by the Board of Directors. Each Shareholder shall be entitled to one numbered certificate for all the shares of any series registered in his or its name, and if the Board of Directors so approves, to several certificates, each for one or more of such shares. A share certificate registered in the names of two or more persons shall be delivered to the person first named in the Registrar of Shareholders. If a share certificate is defaced, lost or destroyed, it may be replaced, upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity, as the Board of Directors may deem fit.

Lien

16. The Company shall have a lien and first pledge on every share that was not paid up in full, in respect of money due to the Company on calls for payment or payable at fixed times, whether

or not presently payable, or the fulfillment and performance of the obligations and commitments to which the Company is entitled in respect of the share. The lien on a share shall also apply to dividends and other distributions payable on it. The Directors may exempt any share, in full or in part, temporarily or permanently, from the provisions of this Article.

17. The Company may sell any share on which it has a lien in any manner the Directors see fit, but such share shall not be sold before the date of payment of the amount in respect of which the lien exists, or the date of fulfillment and performance of the obligations and commitments in consideration of which the lien exists, has arrived, and until 14 days have passed after written notice has been given to the registered holder at that time of the share, or to whoever is entitled to it upon the registered owner's death or bankruptcy, demanding payment of the amount against which the lien exists, or the fulfillment and performance of the obligations and commitments in consideration of which the lien exists, and such payment or fulfillment and performance have not been made.

18. The net proceeds of the sale shall be applied in payment of the amount due to the Company or the fulfillment and performance of the obligations and commitments as aforesaid in the preceding Article, and the remainder, if any, shall be paid to whoever is entitled to the share on the day of the sale, subject to a lien on amounts the date of payment of which has not yet arrived, similar to the lien on the share before its sale.

19. After the execution of a sale of pledged shares as aforesaid, the Directors shall be permitted to sign or to appoint someone to sign a deed of transfer of the sold shares and to register the purchaser's name in the Register as the owner of the shares so sold, and it shall not be the obligation of the buyer to supervise the application of the purchase price nor will his right in the shares be affected by any fault or error in the procedure of sale. The sole remedy of one who has been aggrieved by the sale shall be in damages only and against the Company exclusively.

Calls for Payment

20. With respect of shares not fully paid for according to their terms of issuance, a Shareholder, whether he is the sole holder of shares or holds the shares together with another Person, shall not be entitled to receive dividends nor to use any other right a Shareholder has unless he has paid all the calls by the Company that shall be made from time to time.

21. The Directors may make calls for payment from Shareholders of the amount not yet paid up on their shares as the Directors shall see fit, provided that the Company gives the Shareholder prior notice of at least fourteen (14) days on every call and that the day of payment set forth in such notice be not less than one month after the last call for payment. Each Shareholder shall pay the amount called to the Company on the date and at the place prescribed in the Company's notice.

22. The joint holders of a share shall be jointly and severally liable to pay the calls for payment on such share in full.

23. If the amount called is not paid by the prescribed date, the Person from whom it is due shall be liable to pay such index linkage differentials and interest as the Directors shall determine, from the date on which payment was prescribed until the day on which it is paid, but the Directors may forego the payment of such linkage differentials or interest, in whole or in part.

24. Any amount that, according to the conditions of issuance of a share, must be paid at the time of issuance or at a fixed date, whether on account of the par value of the share or premium, shall be deemed for the purposes of these Articles to be a call for payment that was duly made. In the event of non-payment of such amount all the provisions of these Articles shall apply in respect of such amount as if a proper call for its payment has been made and an

appropriate notice thereof given.

25. At the time of issue of shares the Directors may make arrangements that differentiate between shareholders, in respect of the amounts of calls for payment, their dates of payment or the rate of interest.

26. The Directors may, if they think fit, accept from any Shareholder for his shares any amount of money the payment of which has not yet been called and paid, and to pay him (i) interest for that advance until the day on which payment of that amount would have been due had he not paid it in advance, at a rate agreed between the Company and such Shareholder, and (ii) any dividends that may be paid for that part of the shares for which the Shareholder has paid in advance.

Forfeiture of Shares

27. If a Shareholder fails to pay any call or installment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and any expenses that were incurred as a result of such non-payment.

28. The notice shall specify a date not less than 7 days from the date of the notice, on or before which the payment of the call or installment or part thereof is to be made together with interest and any expenses incurred as a result of such non-payment. The notice shall also state the place the payment is to be made and that in the event of non-payment at or before the time appointed, the share in respect of which the call was made will be liable to forfeiture.

29. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. The forfeiture shall apply to those dividends that were declared but not yet distributed with respect to the forfeited shares.

30. A share so forfeited shall be deemed to be the property of the Company and can be sold or otherwise disposed of, on such terms and in such manner as the Directors think fit. At any time before a sale or disposition the forfeiture may be canceled on such terms as the Directors think fit.

31. A Person whose shares have been forfeited shall cease to be a Shareholder in respect of the forfeited shares, but shall notwithstanding remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company receives payment in full of the nominal amount of the shares.

32. The forfeiture of a share shall cause, at the time of forfeiture, the cancellation of all rights in the Company and of any claim or demand against the Company with respect to that share, and of other rights and obligations between the share owner and the Company accompanying the share, except for those rights and obligations which these Articles exclude from such a cancellation or which the Law imposes upon former Shareholders.

33. A declaration in writing by two Directors that a share in the Company has been duly forfeited on the date stated in the declaration shall be conclusive evidence of the facts therein stated against all Persons claiming to be entitled to the share. That declaration, together with the receipt of the Company for the consideration, if any, given for the share on the sale or disposition thereof, shall constitute good title to the share.

34. The Person to whom the share is sold or disposed of shall be registered as the holder of the

share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity of invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

35. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the par value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Transfer of Shares

36. General Limitation.

Until an IPO, no shareholder of the Company, shall sell, assign, transfer, pledge, lien, grant any right in or otherwise dispose of (collectively, "**Transfer**") all or any part of its shares of the Company, including all rights to acquire shares of the Company, including notes convertible into shares of the Company (for purposes of Articles 36 — 47, the "**Shares**"), other than in compliance with the terms of these Articles

37. Yigal Jacoby (including "Odem Rotem Ltd.") ("**Jacoby**")

Until the earlier to occur of (i) the lapse of eighteen months following the closing of the Sixth Purchase Agreement or (ii) an IPO, any Transfer of Shares constituting more than 50% of Jacoby's shareholdings in the Company at that time, whether in one or in a series of related transactions, other than to a Permitted Transferee of Jacoby, shall require prior written consent by the holders of at least 75% of the outstanding shares of the Company, Ordinary and Preferred, on an as-converted basis.

For purposes of this Article 37, any Transfer of shares in any corporate Shareholder controlled by Jacoby (alone or with others) shall be deemed to be a Transfer of Shares in the Company and therefore limited as aforesaid.

38. Co-Sale

38.1. Until the IPO, if Jacoby, Michael Shurman ("**Shurman**") or any of the holders of Preferred Shares ("**Selling Shareholder**") shall wish to and may hereunder Transfer Shares of the Company, then Jacoby, Shurman and the holders of Preferred Shares as are registered in the Company's Register of Shareholders, other than the Selling Shareholder, (in this Article, the "**Participating Shareholders**") shall have the right to participate in such a Transfer pro rata to their shareholdings in the Company at such time, according to the following procedure:

38.1.1. The Selling Shareholder shall so notify the Participating Shareholders describing in such notification the identity of the proposed purchaser and the material terms of such proposed Transfer ("**Offer**"). The Company shall, at the request of the Selling Shareholder, provide it with the addresses and contact persons of the Participating Shareholders, as the same are registered in the Company's Register of Shareholders. Upon receipt of such notice, each of the Participating Shareholders shall have the right to exercise the option contained in this Article 38.

38.1.2. Each of the Participating Shareholders shall have the option, exercisable by written notice to the Selling Shareholder, within fourteen (14) business days after receipt of the notice described in Article 38.1.1, to require the Selling Shareholder to provide as part of his proposed sale that a Participating Shareholder which has exercised its option as aforesaid be given the right to participate, on the same terms and conditions as provided in the Offer, in the

sale pro rata to the respective numbers of shares owned at such time by the Participating Shareholders which have exercised their option as aforesaid and the Selling Shareholder. If a Participating Shareholder shall not respond to such notice within the period specified above, the Participating Shareholder shall be deemed to have refused to participate in such sale.

38.1.3. Each of the Selling Shareholders covenants not to Transfer his or its Shares in the Company, which are subject to the restrictions set forth in this Article 38, if a Participating Shareholder cannot sell its Shares in such transaction in accordance with this Article 38, unless the holders of a majority of the shares held by the Participating Shareholders waive such right, in advance of any Transfer by the Selling Shareholder, in writing.

38.1.4. In the event that any of the Selling Shareholders should Transfer any Shares in contravention of this Article 38 ("**Prohibited Transfer**") such Prohibited Transfer shall be null and void and the Board of Directors shall not effect any Transfer of Shares which constitutes a Prohibited Transfer. In addition, each of the Participating Shareholders may proceed to protect and enforce its rights by suit in equity or by action at law, whether for the specific performance of any term contained in this Article 38 or for an injunction against the breach of any such term or in furtherance of the exercise of any power granted in this Article 38, or to enforce any other legal or equitable right of the Participating Shareholder or to take one or more of such actions.

38.2. Without derogating from the aforesaid, until the IPO, in circumstances where one or more Shareholders (for the purpose of this Article 38.2, the "**Transferor(s)**") receives a bona-fide offer from an external acquiring third party purchaser (for the purpose of this Article 38.2, the "**Purchaser**") to Transfer such number of shares of the Company to the Purchaser so that, as a result of such Transfer, the Purchaser would hold more than 50% of the share capital of the Company on an issued and outstanding basis, which offer the Transferor(s) intends to accept, the Transferor(s) shall be bound to procure that such Purchaser purchase from the other Shareholders of the Company all of the shares that such Shareholders hold and wish to sell, upon the same terms and conditions as those offered by the Purchaser to the Transferor(s).

38.3. Anything to the contrary notwithstanding, the provisions of this Article 38 will not apply to the Transfer by a Selling Shareholder to a Permitted Transferee (as defined under Article 10.4) of such Shareholder, provided that such a Transfer to a Permitted Transferee shall not be effective unless (i) the Selling Shareholder, shall notify the Participating Shareholders of the Transfer prior to its effect; (ii) the Permitted Transferee agrees in writing to remain subject to all of the limitations and obligations in these Articles which apply to the Shares being transferred.

38.4. For the avoidance of doubt, in the event that a Transfer of Shares transaction pursuant to this Article 38 constitutes a Deemed Liquidation, then the provisions of Article 6.1 shall apply to such transaction.

39. Right of First Refusal

Until the IPO, the holders of Ordinary Shares, Ordinary Shares (Series A), Preferred A Shares, Preferred B Shares, Preferred C Shares, Preferred D Shares, and Preferred E Shares, in each case, as are registered in the Company's Register of Shareholders (for the purpose of this Article 39, each a "**Holder**") shall have a right of first refusal with respect to any Transfer by any other Holder of all or any of its shares in the Company, as follows:

39.1. If at any time any Holder wishes to Transfer any or all Shares owned by it ("**Offeror**") pursuant to the terms of a bona fide offer received from any party or otherwise, he shall submit a written offer (the "**Offer**") to Transfer such Shares (the "**Offered Shares**") to the other Holders (the "**Offerees**") on terms and conditions, including price, identical to those proposed by such third party (the terms of the Offer are referred to herein as the "**Proposed Terms**") and the Company shall, at the request of the Offeror, provide it with the addresses and contact persons of the Offerees, as the same are registered in the Company's Register of Shareholders. The Offer shall disclose the identity of the proposed purchaser or transferee, the Shares proposed to be sold or transferred and the Proposed Terms.

39.2. Each Offeree shall have the right to purchase that number of the Offered Shares as shall be equal to the aggregate Offered Shares multiplied by a fraction, the numerator of which is the number of Shares then held by such Offeree (on an as converted basis) and the denominator of which is the aggregate number of Shares then owned by all of the Offerees, on an as-converted (such fraction hereinafter referred to as the "**Pro Rata Fraction**" of each Offeree). Each Offeree shall have the right to accept the Offer only as to all of the Pro Rata Fraction. In the event an Offeree does not wish to purchase his Pro Rata Fraction of the Offered Shares, then any other Offeree who so elects shall have the right to purchase, on a pro rata basis with other Offerees who so elect, any Pro Rata Fraction of Offered Shares not purchased by an Offeree. For the avoidance of doubt, if the Offerees do not elect to purchase all of the Offered Shares, then there shall be no right to purchase Shares pursuant to this Article 39.

39.3. Within fourteen (14) days from the date of receipt of the Offer, each of the Offerees shall give written notice to the Offeror (the "**Response Notice**") whether he wishes to purchase his Pro Rata Fraction of the Offered Shares, and whether he wishes to purchase, in addition, his applicable Pro Rata Fraction of Offered Shares not purchased by other Offerees, all pursuant to the Proposed Terms. If such Response Notice has not been given by an Offeree within the aforesaid time period, he shall be deemed to have refused to purchase his Pro Rata Fraction of the Offered Shares.

39.4. At the expiration of the said fourteen (14) days: (i) if notices of Offerees who expressed their wish to purchase Offered Shares have been received by the Offeror in respect of all of the Offered Shares, the Offered Shares shall be Transferred by the Offeror to such Offerees pursuant to the Proposed Terms; (ii) in the event that the Offerees do not elect to purchase all of the Offered Shares, then such Offered Shares may be Transferred by such Offeror at any time within 90 days thereafter. Any such Transfer shall be at not less than the price and upon other terms and conditions, if any, not more favorable to the purchaser than the Proposed Terms. Any Shares not sold within such 90-day period shall continue to be subject to the requirements of a prior offer and right of first refusal pursuant to this Article 39.

39.5. The rights of first refusal under this Article 39 shall not apply to a transfer by a Holder to a Permitted Transferee of such Holder, provided that (i) the transferring Holder shall notify the other Holders of such transfer prior to its effect; (ii) the Permitted Transferee agrees in writing to remain subject to all of the limitations and obligations in these Articles which apply to the Shares being transferred; and (iii) that such transferee shall not further transfer any of the shares (except back to the Holder, to a Permitted Transferee of the Holder, or in accordance with the provisions of these Articles).

39.6. In the event of any permitted Transfer under Article 39.5, the transferee shall hold the Shares so acquired with all the rights conferred by, and subject to all the restrictions

imposed by, these Articles.

39.7. Notwithstanding anything to the contrary in these Articles, for a period of 12 months after the closing of the Sixth Purchase Agreement, JVP Funds shall have an absolute preference over other Holders pursuant to this Article 39 with respect to any Transfer by any of NJI No. 3 Investment Fund, Samro N.V., CBS IMMO II N.V. and Doron Tishman, NetReality Reciever to purchase such number of transferred shares at its discretion. In the event that JVP Funds do not fully exercise such right under the terms of Article 39 to purchase all shares so transferred, then the other Holders shall be entitled to the rights under Article 39 with respect to any shares not purchased by JVP Funds. The provisions of this Article 39.7 shall apply only if the price per Ordinary Share (on an as-converted basis) in such transfer is at least US$ 0.98659 (as adjusted for any stock split, bonus shares or any other recapitalization event).

39.8. Any Transfer of shares by any Participating Shareholder pursuant to the exercise of its co-sale rights under Article 38 above shall not give the Holders additional rights of first refusal or any other participation rights and shall be deemed to have been part of the Offered Shares and included in the Offer to the extent that the number of the shares being Transferred has not changed as a result of the exercise of co-sale rights. To the extent such number has changed, the provisions hereof shall apply to the transaction again, ab initio, and the Transferor shall give a new Offer hereunder.

40. Any Transfer of Shares in the Company by a Shareholder shall require the consent of the Directors, except if such Transfer is to a Permitted Transferee of the Shareholder or to another Shareholder, which consent shall not be unreasonably withheld.

41. Each Transfer of Shares shall be made in writing in such form of a Share Transfer Deed as approved by the Directors from time to time, which shall be executed both by the transferor and transferee, and delivered to the Office together with the transferred share certificates, if share certificates have been issued with respect to the shares to be transferred, and any other proof of the transferor's title that the Directors may require. The share transfer deed with respect to a Share that has been fully paid may be signed by the transferor only. A deed of transfer that has been registered, or a copy thereof, as shall be decided by the Directors, shall remain with the Company; any deed of transfer that the Directors shall refuse to register shall be returned, upon demand, to the Person who furnished it to the Company, together with the share certificate, if furnished.

42. The transferor shall be deemed to remain a holder of the Shares until the name of the transferee is entered into the Register in respect thereof.

43. The Company may impose a fee for registration of a Transfer, at a reasonable rate as may be determined by the Directors from time to time.

44. The Register shall be closed for a period of 14 days before every ordinary general meeting of the Company and at other dates and for such other periods as are determined by the Directors from time to time, provided, however, that the Register shall not be closed for a total of more than 30 days in any calendar year.

45. Upon the death of a Shareholder, the remaining partners, in the event that the deceased was a partner in a Share, or the administrators or executors or heirs of the deceased, in the event the deceased was the sole holder of the Share or was the only one of the joint holders of the Share to remain alive, shall be recognized by the Company as the sole holders of any title to the Shares of the deceased. However, nothing aforesaid shall release the estate of a joint holder of a Share from any obligation to the Company with respect to the Share that he held in partnership.

46. Any Person becoming entitled to a Share as a consequence of the death or bankruptcy or liquidation of a Shareholder shall, upon such evidence being produced as may from time to time be required by the Directors, have the right either to be registered as a Shareholder in respect of the Share, or, instead of being registered himself, to transfer such Share to another Person, in either instance subject to the Directors' power hereunder to refuse or delay registration as they would have been entitled to do if the deceased or the bankrupt had transferred his Share before his death or before his bankruptcy, and subject to all other provisions hereof relating to Transfers of Shares.

47. A Person becoming entitled to a Share because of the death of a Shareholder shall be entitled to receive, and to give receipts for, dividends or other payments paid or distributions made, with respect to the Share, but shall not be entitled to receive notices with respect to Company meetings or to participate or vote therein with respect to that Share, or to use any other right of a Shareholder, until he has been registered as a Shareholder with respect to that Share.

Changing Share Rights

48. If at any time the share capital is divided into different classes of shares the Company may, unless otherwise provided by the terms of issue of the affected shares, change, convert, broaden, add or vary in any other manner the rights, advantages, restrictions or provisions related to at that time to one or more of the classes, if it received the consent in writing of the holders of a majority of the issued shares of the affected class, or if sanctioned by a resolution adopted by a separate special general meeting of the holders of such class of shares (provided, however, that the creation of a new class of shares with certain rights shall not be deemed to fall under this Article 48 in respect of other classes of shares); the provisions of these Articles regarding general meetings shall apply, *mutatis mutandis*, to such separate special general meeting, but the required quorum shall be at least two Shareholders who own one third of the issued shares of the affected class, or their proxies.

Modification of Capital

49. The Company may, from time to time and subject to Article 146 herein:

(a) consolidate and divide its share capital or a part thereof into shares of greater value than its existing shares;

(b) cancel any shares which have not been purchased or agreed to be purchased by any Person;

(c) by subdivision of its existing shares, or any of them, divide the whole, or any part, of its share capital into shares of lesser value than is fixed in these Articles, and in a manner so that with respect to the shares created as a result of the division it will be possible to grant to one or more shares a right of priority, preference or advantage with respect to dividend, capital, voting or otherwise over the remaining or similar share;

(d) reduce its share capital, and any fund reserved for capital redemption, in the manner that it shall deem to be desirable under the provisions of Section 287 of the Law;

(e) increase its share capital, regardless of whether or not all of its shares have been issued, or whether the shares issued have been paid in full, by the creation of new shares, divided into shares in such par value, and with such preferred or deferred or other special rights (subject always to the special rights conferred upon any existing class of shares), and subject to any conditions and restrictions with respect to dividends, return of capital, voting or otherwise.

With respect to any consolidation of shares and any other action which may result in fractional shares, the Board of Directors may settle any difficulty which may arise with regard thereto, as it deems fit, including, inter alia, resort to one or more of the following actions:

(i) allot, in contemplation of or subsequent to such consolidation or other action, such shares or fractional shares sufficient to preclude or remove fractional share holdings;

(ii) to the extent as may be permitted under the Law, redeem or purchase such shares or fractional shares sufficient to preclude or remove fractional shareholdings;

(iii) cause the transfer of fractional shares by certain shareholders of the Company to other shareholders thereof so as to most expediently preclude or remove any fractional shareholdings, and cause the transferees to pay the transferors the fair value of fractional shares so transferred, and the Board of Directors is hereby authorized to act as agent for the transferors and transferees with power of substitution for purposes of implementing the provisions of this Article 49.

50. The Company shall have the right to set out regulations with respect to issuance and allotment of securities, including but without derogating from the generality of the above, shares, debentures, options and warrants, and to determine that the aforesaid shall be convertible at a specified rate or some other predetermined formula. Absent such regulations, the Directors shall be authorized to issue and allot such other types of securities to such Persons, at such times and upon such terms and conditions as the Company may by resolution of Directors determine.

51. Subject to any provision to the contrary in the resolution authorizing the increase in share capital pursuant to these Articles, the new share capital shall be deemed to be part of the original share capital of the Company and shall be subject to the same provisions with reference to payment of calls, liens, title, forfeiture, transfer and otherwise as apply to the original share capital.

52. Reserved.

53. Reserved.

54. Reserved.

55. Reserved.

56. Reserved.

General Meetings

57. A general meeting shall be held once in every year, at such place and time as may be prescribed by the Directors but in any event not being more than fifteen (15) months after the last preceding general meeting. The aforesaid general meetings shall be called ordinary general meetings; all other general meetings shall be called special general meetings.

58. The Directors, whenever they think fit, may, and upon a demand in writing by (i) a Director; (ii) one (1) or more Shareholders holding at least ten (10) percent of the issued and outstanding share capital and at least one (1) percent of the voting rights; (iii) one (1) or more Shareholders holding at least ten percent (10) of the voting rights in the Company - shall, convene a special general meeting. Every such demand shall include the objects for which the meeting should be convened, shall be signed by those making the demand (the "**Petitioners**") and shall be delivered to the Office. The demand may contain a number of documents similarly worded each of which is signed by one or more of the Petitioners. If the Directors do not convene a meeting, the Petitioners may convene by themselves a special general meeting as provided in Section 64 of the Law.

59. Notices of general meetings shall be given as follows:

59.1. A prior notice of at least seven (7) days and no more than forty five (45) days (not including the day of delivery but including the day of the meeting) of any general meeting shall be given with respect to the place, date and hour of the meeting and the nature of every subject on its agenda.

59.2. The notice shall be given as hereinafter provided to the Shareholders entitled pursuant to these Articles to receive notices from the Company.

59.3. Non-receipt of a notice given as aforesaid shall not invalidate the resolution passed or the proceedings held at that meeting.

59.4. With the consent of all the Shareholders who are entitled at that time to receive notices, it shall be permitted to convene meetings and to resolve all types of resolutions, upon shorter notice or without any notice and in such manner, generally, as shall be approved by the Shareholders.

Proceedings of General Meetings

60. Subject to the provisions of these Articles, the function of the general meeting shall be to receive and to deliberate with respect to the profit and loss statements, the balance sheets, the ordinary reports and the accounts of the Directors and auditors; to declare dividends, to appoint auditors and to fix their salaries, to amend these Articles, to approve certain actions and transactions under the provisions of Sections 255 and 268 through 275 of the Law.

61. No matter shall be discussed at a general meeting unless a quorum is present at the time when the general meeting starts its discussions. The presence of two (2) or more shareholders holding the majority of the voting power in the Company, on an as-converted basis, including at least one holder of Preferred Shares, shall constitute a quorum for general meetings.

62. Notwithstanding the aforesaid, if within half an hour of the time arranged for the general meeting, respectively, no quorum is present, such meeting shall stand adjourned to the same day of the following week, at the same hour and in the same place, or in the event that such a day is not a business day, then to the first business day thereafter, and in such adjourned meeting if no quorum is present within half an hour of the time arranged, the present shareholders shall be deemed a quorum.

63. The chairman of the Board of Directors shall preside as chairman at all general meetings. If there is no chairman, or if he is not present within fifteen (15) minutes from the time appointed for the meeting, or if he shall refuse to preside at the meeting, the Shareholders present shall elect one of the Directors to act as chairman, and if only one Director is present, he shall act as chairman. If no Directors are present, or if they all refuse to preside at the meeting, the Shareholders present shall elect one (1) of the Shareholders present to preside at the meeting. The office of the chairman shall not, by itself, entitle the holder thereof to vote at any general meeting nor shall it entitle such holder to a second or casting vote (without derogating, however, from the rights of such chairman to vote as a shareholder or proxy of a shareholder, if, in fact, he is also a shareholder or such proxy).

64. The chairman of a general meeting at which a quorum is present may adjourn the same from time to time and from place to place (but not more than once without the approval of the general meeting) and the chairman shall do so if so directed by the meeting; but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

If a meeting is adjourned for twenty one (21) days or more, then notice thereof shall be given in the manner required for the meeting as originally called. If the adjourned meeting is adjourned for less than (21) days, then notice thereof shall be given in accordance with the

provisions of the Companies Law, if any.

Vote by Shareholders

65. Every resolution put to the vote at a meeting shall be decided by a count of votes. All resolutions shall be passed by a majority vote.

66. At a vote by count of votes, each Shareholder present at a meeting, personally or by proxy, shall be entitled, subject to and without derogating from any rights or restrictions existing at that time with respect to a certain class of shares forming part of the capital of the Company, to one vote for each share held by him; provided that no Shareholder shall be permitted to vote at a general meeting or to appoint a proxy to vote therein unless he has paid all calls for payment and all moneys then due to the Company from him with respect to his shares.

67. If the number of votes for and against is equal the chairman of the meeting shall have no casting vote, and the resolution proposed shall be deemed rejected.

68. In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. The appointment of a proxy to vote on behalf of a share held by joint holders shall be executed by the signature of the senior of the joint holders. For the purposes of this Article, seniority shall be determined by the order in which the names of the joint holders stand in the Register of Shareholders.

69. An objection to the right of a Shareholder or a proxy to vote in a general meeting must be raised at such meeting or at such adjourned meeting wherein that Person was supposed to vote, and every vote not disqualified at such a meeting shall be valid for each and every matter. The chairman of the meeting shall decide whether to accept or reject any objection raised at the appointed time with regard to the vote of a Shareholder or proxy, and his decision shall be final.

70. A Shareholder of unsound mind, or in respect of whom an order to that effect has been made by any court having jurisdiction, may vote, whether on a show of hands or by a count of votes, only through his legal guardian or such other Person, appointed by the aforesaid court, who performs the function of a representative or guardian. Such representative, guardian, or other Person may vote by proxy.

71. A Shareholder of the Company which is a corporation shall be entitled, by a decision of its board of directors, or by a decision of a person or other body according to a resolution of its board of directors, to appoint a person who it shall deem fit to be its representative at every meeting of the Company. The representative appointed as aforesaid shall be entitled to perform on behalf of the corporation he represents all the powers that the corporation itself might perform as if it were a person.

72. In every vote a Shareholder shall be entitled to vote either personally or by proxy. A proxy need not be a Shareholder of the Company. Shareholders may participate in a general meeting by means of a conference telephone call or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this Article shall constitute presence in person at such meeting. Shareholders may also vote in writing, by delivery to the Company, prior to a general meeting, of a written notice stating their affirmative or negative vote on an issue to be considered by such meeting.

73. A letter of appointment of a proxy, power of attorney or other instrument pursuant to which the appointee is acting shall be in writing. An instrument appointing a proxy, whether for a specific meeting or otherwise, shall be in the form prescribed by the Directors, and such

instrument or a copy thereof shall be deposited at the Office, or at such other place as the Directors may direct from time to time, prior to the time appointed for the meeting or adjourned meeting or presented at such meeting to the chairman of the meeting, wherein the person referred to in the instrument is appointed to vote, otherwise that person shall not be entitled to vote that share. An instrument appointing a proxy which is not limited in time and does not specifically state that it is irrevocable shall expire twelve (12) months after the date of its execution; if the appointment shall be for a limited period, whether in excess of twelve (12) month or not, the instrument shall be for the period stated therein.

74. A vote pursuant to an instrument appointing a proxy shall be valid notwithstanding the death of the appointor, or the appointor becoming of unsound mind, or the cancellation of the proxy or its expiration in accordance with any law, or the transfer of the shares with respect to which the proxy was given, unless a notice in writing of any such event was received at the Office before the meeting took place.

75. A Shareholder is entitled to vote by a separate proxy with respect to each share held by him, provided that each proxy shall have a separate letter of appointment containing the serial number of share(s) with respect to which such proxy is entitled to vote. If a specific share is included by the holder in more than one letter of appointment, that share shall not entitle any of the proxy holders to a vote.

76. Subject to the provisions of any law, a resolution in writing signed by all the holders of shares entitled to vote with respect to such shares at general meetings, or a resolution as aforesaid agreed upon by telex, telegram or facsimile, shall have the same validity as any resolution carried in a general meeting of the Company duly convened and conducted for the purpose of passing such a resolution.

Directors

77. Until an IPO, the Company's Board of Directors shall consist of up to Nine (9) directors as follows:

77.1. Three directors will be appointed by the holders of the majority of the Ordinary Shares and Ordinary Shares (Series A), who shall initially be Yigal Jacoby, Michael Shurman and Yosi Elihav.

77.2. One director shall be appointed by the JVP Funds (the "**JVP Director**"). Such right of the JVP Funds to appoint one director shall expire immediately upon the aggregate holdings of the JVP Funds together with their Permitted Transferees becoming less than 3% of the outstanding share capital of the Company.

77.3. One director will be appointed by the Partech Funds (the "**Partech Director**"); such right of the Partech Funds to appoint one director shall expire immediately upon the aggregate holdings of the Partech Funds together with their Permitted Transferees becoming less than 3% of the outstanding share capital of the Company. In addition, for as long as the Partech Funds hold shares in the Company and do not have the right to appoint a director to the Company's Board of Directors, the Partech Funds shall be entitled to appoint a non-voting observer to the Company's Board of Directors. Such observer shall be entitled to attend all Board of Directors' meetings, but will not be entitled to vote at any such Board of Directors' meeting.

77.4. One director shall be appointed by Gemini Israel II Parallel Fund LP (the "**Gemini Director**"). Gemini Israel II Parallel Fund LP, Gemini Israel II LP, Gemini Partner Investors L.P., and Advent PGGM Gemini LP shall be known collectively as the "**Gemini Shareholders**". Such right of the Gemini Shareholders to appoint one director shall expire immediately upon the aggregate holdings of the Gemini

Shareholders together with their Permitted Transferees becoming less than 3% of the outstanding share capital of the Company.

77.5. One director shall be appointed by Genesis Partners I L.P. and Genesis Partners I (Cayman) L.P. (the "**Genesis Shareholders**" and the "**Genesis Director**", respectively), provided that the right of the Genesis Shareholders to appoint one director shall expire immediately upon the aggregate holdings of the Genesis Shareholders together with their Permitted Transferees becoming less than 3% of the outstanding share capital of the Company.

77.6. One director shall be appointed by the TFV II Investors (as such term is defined in the Third Purchase Agreement) (the "**TFV Director**"; the TFV Director together with the Partech Director, the JVP Director, the Gemini Director and the Genesis Director, the "**Preferred Shareholders Directors**" and each a "**Preferred Shareholders Director**"), provided that the right of such TFV II Investors to appoint one director shall expire immediately upon the aggregate holdings of the TFV II Investors together with their Permitted Transferees becoming less than 3% of the outstanding share capital of the Company.

77.7. One director shall be the CEO of the Company, ex-officio to be appointed upon receipt of his written consent to serve as a director and deemed removed upon notice of termination of his serving as the Company's CEO.

77A. Notwithstanding the aforesaid in Article 77, upon the request of the underwriter in an IPO, the number of directors shall be reduced to 7 such that, (i) instead of the personal nomination of the five directors by the JVP Funds, Partech Funds, Gemini Shareholders, Genesis Shareholders and TFV II Investors as set forth above, the holders of a majority of the Preferred Shares shall appoint four directors on their behalf and the respective shareholders group whose representative shall cease to serve as a director as a result of such reduction shall be entitled to appoint an observer to the Board of Directors, and (ii) the holders of the majority of the Ordinary Shares and Ordinary Shares (Series A) shall be entitled to appoint two directors instead of three. Said observer shall be entitled to attend all Board of Directors' meetings, but will not be entitled to vote at any Board of Directors' meeting. Until and as the shareholders group that appointed it holds shares of the Company, such observer shall be entitled to receive all documents and information provided to any director of Company

78. In addition to the above, for as long as NJI No. 3 Investment Fund holds 4% or more of the issued and outstanding share capital of the Company, it shall be entitled to appoint a non-voting observer to the Board of Directors. Such observer shall be entitled to attend all Board of Directors' meetings, but will not be entitled to vote at any Board of Directors' meeting. Until and as long as NJI No.3 Investment Fund holds shares of the Company, it shall be entitled to receive all documents and information provided to any director of Company.

79. In addition to the above, for as long as BancBoston Investments Inc. holds 4% or more of the issued and outstanding share capital of the Company, it shall be entitled to appoint a non-voting observer to the Board of Directors. Such observer shall be entitled to attend all Board of Directors' meetings, but will not be entitled to vote at any Board of Directors' meeting.

80. The appointment of a director or observer as aforesaid, and the dismissal or replacement of any director or observer so appointed, shall be by written notice given to the Company by the appointing shareholder(s).The Board shall meet as frequently as reasonably necessary and, in any event, at least once every twelve (12) weeks.

81. If any member of the Board of Directors is not elected or appointed, or if the office of any member of the Board of Directors is vacated for a period of at least 7 days, the other members

of the Board of Directors may act in every way and manner provided for under these Articles and the Law as long as their number does not fall below the quorum required by these Articles for a Board of Directors' meeting.

82. Any casual vacancy occurring in the Board of Directors in respect of a Director appointed by any Shareholders may be filled up only by such Shareholders.

83. Any person may be an alternate member of the Board (an "**Alternate Director**") if such person is qualified to serve as a director of the Company. Any Alternate Director shall have vote equal to vote of the Board member that he substitutes. An Alternate Director shall have, subject to his letter of appointment, all authorities vested to the member of the Board he substitutes. The tenure of office of an Alternate Director shall automatically be terminated upon the dismissal of such member, or upon the office of the member of the Board he substitutes being vacated for any reason, or upon the occurrence of one of the situations stated in Article 86 below in relation with such Alternate Director.

84. A Director shall not be required to hold qualifying shares in the Company.

85. A Director may hold another paid position or function, except as auditor, in the Company, or in any other company of which the Company is a shareholder or in which the Company has some other interest, or that has an interest in the Company, together with his position as a Director, upon such conditions with respect to salary and other matters as determined by the Directors and approved by the general meeting of the shareholders.

86. Subject to the provisions of these Articles, or to the provisions of an existing contract, the tenure of office of a Director shall automatically be terminated upon the occurrence of one of the following:

    86.1. If he becomes bankrupt;

    86.2. If he is declared insane or becomes of unsound mind;

    86.3. If he resigns by an instrument in writing delivered to the Company, and, if he was appointed by a Shareholder empowered to appoint a Director, with a copy to the Shareholder or Shareholders who appointed him;

    86.4. With his death;

    86.5. With the liquidation of the Company;

    86.6. With regard to the Director appointed in accordance with Article 77.1 — upon receipt by the Company of a written notice from the holders of the majority of the Ordinary Shares and Ordinary Shares (Series A) of the termination of his appointment; and

    86.7. With regard to the directors appointed in accordance with Articles 77.2 to 77.6 - upon receipt by the Company of a written notice from the respective appointing shareholders under such Articles of the termination of the appointment of the respective director so appointed, or upon the aggregate holdings of such respective appointing shareholders decreasing below 3% of the Company's outstanding share capital (for the avoidance of doubt, for the purpose of calculating the said 3% of the Company's outstanding share capital pursuant to this Article 86.7, all of the securities held by either of the Gemini Shareholders or the Partech Funds, respectively, shall be taken into account as if they are held by the appointing shareholder).

87. The Directors' remuneration shall be set from time to time at the Company's general meeting. In addition, the Directors and their Alternates shall be entitled to reimbursement of their reasonable expenses for travel, board and lodging that have been expended in the course of their performance of their duties as Directors, including actual and reasonable travel expenses

to and from Board of Directors' meetings, all as decided by the general meeting. If one of the Directors shall perform services or tasks aside from his regular duties as a Director, whether as a result of his particular profession or by a trip or stay abroad or otherwise, the Directors may decide to pay him a special wage. Such a wage may be paid by way of salary, commission, participation in profits or otherwise, and shall be in addition to his regular fee, if there is any, or in place thereof, as shall be decided.

Powers and Duties of Directors

88. Subject to these Articles, the management of the business of the Company shall be vested in the Board of Directors and they shall be entitled to perform all of the Company's powers and authorities, and to perform in its name all the acts that it is entitled to do pursuant to these Articles and/or any Law, except for those acts which pursuant to Law or these Articles are vested in the general meeting of the Company, and subject to any provision in Law, or in these Articles, or the regulations that the Company shall adopt (insofar as they do not contradict the Law or these Articles). However, any regulation adopted by the Company in its general meeting as aforesaid shall not affect the legality of any prior act of the Directors that would be legal and valid but for that regulation.

89. Without limiting the generality of the preceding provision, and subject to these Articles, the Directors may from time to time, in their discretion, borrow or secure the payment of any sum of money for the purposes of the Company, and they may raise or secure the repayment of such sum of sums in such manner, at such times and upon such terms and conditions in all respects as they think fit, and, in particular, by the issue of bonds, perpetual or redeemable debentures, debenture stock, or any mortgages, charges, or other securities on the whole or any part of the property of the Company, both present and future, including its uncalled capital for the time being and its called but unpaid capital.

Functions of the Directors

90. The Directors may meet in order to transact business, to adjourn their meetings or to organize them otherwise as they shall deem fit.

91. The Chairman of the Board of Directors shall not have any additional or casting vote.

92. The presence of a majority of the directors, one of which shall be the director appointed by the holders of Preferred Shares, shall constitute a quorum for meetings of the board. Notwithstanding the aforesaid, if within half an hour of the time arranged for the board meeting no quorum is present, such meeting shall stand adjourned to the same day of the following week, at the same hour and in the same place, or in the event that such a day is not a business day, then to the first business day thereafter, and in such adjourned meeting if no quorum is present within half an hour of the time arranged, the present directors shall be deemed a quorum.

93. Subject to Section 112 of the Law, the Directors may delegate any of their powers to committees, the composition thereof shall be decided by the Board of Directors, and may from time to time revoke such delegation. The composition of the Board of Directors and of any committee of any subsidiary of the Company shall also be determined by the Board of Directors of the Company. Each committee to which any powers of the Directors have been delegated shall abide by any regulations enacted by the Directors with respect to the exercise of such delegated powers. In the absence of such regulations or if such regulations are incomplete in any respect, the committee shall conduct its business in accordance with these Articles. Subject to any restrictions imposed by Law, the Directors may delegate that authority or a part thereof to an executive committee composed of Directors and/or officers whose membership will be set from time to time by the Directors.

94. Members of the Board of Directors or a committee thereof may participate in a meeting of the Board of Directors or the committee by means of a conference telephone call or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Article shall constitute presence in person at such meeting. Directors may also vote in writing, by delivery to the Company, prior to a Board of Directors meeting, of a written notice stating their affirmative or negative vote on an issue to be considered by such meeting (but such voting shall not be considered presence in person at such meeting).

95. Every Director may at any time call a Board of Directors' meeting and the Chairman shall call such a meeting upon such request.

96. Any notice of a Board of Directors' meeting can be given in writing, or by telegram, facsimile or telex. Notice shall be given at least 3 days before the time appointed for the meeting, unless all of the Directors at that time agree to a shorter notice, or waive notice altogether.

97. Issues raised before all meetings of the Board of Directors shall be decided by the majority of the Directors present and voting.

98. A resolution in writing signed or agreed to in writing (including by facsimile) by all of the Directors shall be valid for every purpose as a resolution adopted at a Board of Directors' meeting that was duly convened and held. In place of a Director the aforesaid resolution may be signed and delivered by his Alternate.

99. All actions performed bona fide by the Board of Directors or by any person acting as Director or as an Alternate shall be as valid as if each and every such person were duly and validly appointed and fit to serve as a Director or Alternate, as the case may be, even if at a later date a flaw shall be discovered in the appointment of such a Director or such a person acting as aforesaid, or in his qualifications so to serve.

100. The Directors shall cause minutes to be taken of all general meetings of the Company, of the appointments of officers of the Company, and of Board of Directors' meetings, which minutes shall include the following items, if applicable: the names of the persons present; the matters discussed at the meeting; the results of votes taken; resolutions adopted at the meeting; and directives given by the meeting. The minutes of any meeting, signed or appearing to be signed by the Chairman of the meeting, shall serve as a prima facie proof of the truth of the contents of the minutes.

101. The Directors shall comply with all provisions of the Law, and especially with the provisions in respect of -

    101.1. Registration in the Company's books of all liens that affect the Company's assets;

    101.2. Keeping a register of Directors;

    101.3. Delivery to the Registrar of Companies of all notices and reports that are required to be so delivered.

Personal Interest

102. All transactions in which an Office Holder (as such term is defined in the Law) in the Company has a personal interest shall be approved in accordance with the provisions of the Law.

CEO, General Manager, President, Secretary, Other Officers and Attorneys

103. The Directors may from time to time appoint one or more persons, whether or not he is a member of the Board of Directors, as the Chief Executive Officer, General Manager or

President of the Company. The appointment may be either for a fixed period of time or without limiting the time that the CEO, General Manager or President will stay in office. The Directors may, from time to time, subject to any provision in any contract between the CEO, General Manager or President and the Company, release him from his office and appoint another or others in his or their place. The Directors may from time to time grant and bestow upon the CEO, General Manager or President those powers and authorities that it exercises pursuant to these Articles and subject to the provisions of Section 92 of the Law, as it shall deem fit, and may grant those powers and authorities for such period, and to be exercised for such objectives and purposes, in such time and conditions, and on such restrictions, as it shall decide; and it can from time to time revoke, repeal, or change any one or all of those powers or authorities.

104. The Directors may from time to time appoint a Secretary to the Company, a Treasurer and/or Comptroller or Chief Financial Officer as well as other officers, personnel, agents and servants, including management companies, for fixed, provisional or special duties, as the Directors may from time to time deem fit, and may from time to time, in their discretion, suspend and/or dismiss any one or more of such persons. The Directors may determine the powers and duties of such persons, and may demand security in such cases and in such amounts as they deem fit.

105. The wages and any other compensation of the General Manager and other managers, officers or personnel shall be determined from time to time by the Board of Directors (subject to any provision in any contract between the Company and any such General Manager, manager, officer or personnel), and it may be paid by way of a fixed salary or commission, or a percentage of profits or of the Company's turnover or of any other company that the Company has an interest in, or by participation in such profits, or in any combination of the aforementioned methods, or such other method as the Directors shall determine.

106. The Directors may from time to time directly or indirectly authorize any company, firm, person or group of people to be the attorneys in fact of the Company for purposes and with powers and discretion which shall not exceed those conferred upon the Directors or which the Directors can exercise pursuant to these Articles, and for such a period of time and upon such conditions as the Directors may deem proper. Every such authorization may contain such directives as the Directors deem proper for the protection and benefit of the persons dealing with such attorneys. The Directors may also grant such an attorney the right to transfer to others, in part or in whole, the powers, authorities and discretions granted to him, and may terminate and revoke the appointments or revoke all or any part of the powers granted to them.

Dividends

107. Subject to these Articles and the provisions of Sections 301 through 311 of the Law, the Company, at a general meeting and upon the recommendation of the Directors, may declare a dividend to be paid to the Shareholders, according to their rights and benefits in the profits, and to decide the time of payment. A dividend may not be declared in excess of that recommended by the Directors, although the Company at a general meeting may declare a smaller dividend. Notwithstanding the aforesaid and anything to the contrary in this Articles, the distribution of bonus shares (and the capitalization of premiums in that regard) shall only require the approval of the Directors and shall not be subject to the consent of the shareholders or to the consent of the Majority Investors.

108. Subject to these Articles, the Directors may from time to time pay to the Shareholders, on account of a forthcoming dividend, such interim dividend as shall be deemed just with regard to the condition of the Company.

109. A notice of the declaration of a dividend, whether an interim dividend or otherwise, shall be given to the Shareholders registered in the Register, in the manner provided for in these Articles.

110. Subject to the provisions of these Articles, and subject to any rights or conditions attached at that time to any share in the capital of the Company granting preferential, special or deferred rights or not granting any rights with respect to dividends, the profits of the Company which shall be declared as dividends shall be distributed according to the proportion of the nominal value paid up to account of the shares held at the record date fixed by the Company, without regard to premium paid in excess of the nominal value, if any. No amount paid or credited as paid on a share in advance of calls shall be treated for purposes of this Article as paid on a share.

111. The Directors may issue any share upon the condition that a dividend shall be paid at a certain date, or that a portion of the declared dividend for a certain period shall be paid, or that the period for which a dividend shall be paid shall commence at a certain date, or any similar condition; in every such case, subject to any provision mentioned in Article the preceding Article, the dividend shall be paid in respect of such a share in accordance with such a condition.

112. At the time of declaration of a dividend the Company may decide that such a dividend shall be paid in whole or in part by way of distribution of certain properties, including by means of distribution of fully paid up shares or debentures or debenture stock of the Company, or by means of distribution of fully paid up shares or debentures or debenture stock of any other company, or in one or more of the aforesaid ways.

113. The Company shall have a lien on any dividend paid in respect of a share on which the Company has a charge, and may use it to pay any debts, obligations or commitments to which the charge applies.

114. The persons registered in the Register as Shareholders on the record date for declaration of the dividend shall be entitled to receive the dividend. A transfer of shares shall not transfer the right to a dividend which has been declared after the transfer but before the registration of the transfer.

115. A dividend may be paid by, inter alia, check or payment order to be mailed to the address of a shareholder or person entitled thereto as registered in the Register, or in the case of joint owners — to the address of one of the joint owners as registered in the Register. Every such check shall be made out to the person to whom it is sent. The receipt of the person who on the record date in respect of the dividend is registered as the holder of any share or, in the case of joint holders, of one of the joint holders, shall serve as a release with respect to payments made in connection with that share.

116. If at any time the share capital is divided into different classes of shares, the distribution by way of dividend of fully paid up shares, or from funds pursuant to Article 122 below, shall be made in one of the two following manners as to be determined by the Directors:

116.1. All holders of shares entitled to fully paid up shares shall receive one uniform class of shares; or

116.2. Each holder of shares entitled to fully paid up shares shall receive shares of the class of shares held by him and entitling him to fully paid up shares.

117. If the Company has redeemed redeemable preference shares, then all funds reserved for redemption of such shares and remaining after such redemption may be used, in whole or in part, according to a resolution of the Company, to pay in full or in part for any new share

issues or any shares not yet issued to the Shareholders of the Company and to distribute such fully paid up shares, as shall be decided upon by the Board of Directors, up to the sum equal to the nominal value of the shares to be issued.

118. In order to give effect to any resolution in connection with distribution of dividends, or distribution of property, fully paid-up shares or debentures, the Board of Directors may resolve any difficulty that shall arise with respect to such distribution in such way as it shall deem proper, including the issuance of certificates for fractional shares, and the determination of the value of certain property for purposes of distribution. The Board of Directors may further decide that payments shall be in cash and shall be made to a shareholder on the basis of value decided for that purpose, or that fractions the value of which is less than one New Israeli Shekel shall not be taken into account for the purpose of adjusting the rights of all the parties. The Board of Directors shall be permitted in this regard to grant cash or property to trustees in escrow for the benefit of persons entitled thereto, as the Directors shall see fit. Wherever required, an agreement shall be submitted to the Registrar of Companies and the Directors may appoint a person to execute such an agreement in the name of the persons entitled to any dividend, property, fully paid-up shares or debentures as aforesaid, and such an appointment shall be valid and binding on the Company.

119. The Board of Directors may, with respect to all dividends not demanded within 30 days after their declaration, invest or use them in another way for the benefit of the Company, until they shall be demanded.

120. The Company shall not be obligated to pay interest on any dividend, including in the circumstances set forth in the preceding Article.

Reserves

121. The Directors may set aside from the profits of the Company the sums they deem proper, as a reserve fund or reserve funds for extraordinary uses, or for special dividends or other funds or for the purpose of preparing, improving or maintaining any property of the Company, and for such other purposes as shall in the discretion of the Board of Directors be beneficial to the Company, and the Directors may invest the various sums so set aside in such investments as they deem proper, and from time to time deal in, change, or transfer such investments, in part or in whole, for the benefit of the Company. The Board of Directors may also divide any reserve liability fund to special funds as it shall deem proper, transfer moneys from fund to fund and use every fund or any part thereof in the business of the Company, without being required to keep such sums separate from the rest of the Company's property. The Directors may, from time to time, also transfer to the next year profits out of such sums which are, in their discretion, beneficial to the Company. The Directors may generally create funds as they deem necessary, either those resulting from profits of the Company or from re-evaluation of property, or from premiums paid for shares or from any other source, and use them in their discretion as they deem fit so long as the creation, changes or uses of such funds do not exceed any provision of the Law or accepted accounting principles and practices.

122. All premiums received from the issue of shares shall be capital funds, and they shall be treated for every purpose as capital and not as profits distributable as dividends. The Board of Directors may organize a reserve capital liability account and transfer from time to time all such premiums to the reserve capital liability account, or use such premiums and moneys to cover depreciation or doubtful loss. All losses from sale of investments or other property of the Company shall be debited to the reserve account, unless the Directors decide to cover such losses from other funds of the Company. The Board of Directors may use moneys credited to the capital reserve liability account in any manner that these Articles or the Law permit.

123. Any amounts transferred and credited to the account of income and expense fund or general reserve liability account or capital liability reserve account, may, until otherwise used in accordance with these Articles, be invested together with such other moneys of the Company in the day to day business of the Company, without having to differentiate between these investments and the investment of other moneys of the Company.

Capitalization of Reserve Funds

124. The Company may from time to time resolve at a general meeting that any sum, investment or property not required as a source for payment of fixed preferential dividends and (i) standing credited at that time to any fund or to any reserve liability account of the Company, including also premiums received from issuance of shares, debentures, or debenture stock of the Company, or (ii) being net profits not distributed and remaining in the Company, shall be capitalized, and that such amount shall be distributed as dividends on shares, in the manner so directed by such resolution. The Board of Directors shall use such investment, sum or property, according to such a resolution, for full payment of such shares of the Company's capital not issued to the Shareholders, and to issue such shares and to distribute them as fully paid shares among the Shareholders according to their pro rata right for payment of the value of the shares and their rights in the amount capitalized. The Directors may also use such investment, sum or property, or any part thereof, for the full payment of the Company's capital issued and held by such Shareholders, or such investment, sum or property in any other manner permitted by such a resolution. If any difficulty shall arise with respect to such a distribution, the Directors may act, and shall have all the powers and authorities, as set forth in Article 119 above, mutatis mutandis.

Stamp and Signatures

125. The Directors shall cause the Company's stamp, of which the Company shall have at least one, to be kept in safekeeping, and it shall be forbidden to use the rubber stamp in violation of any instructions the Directors may give in connection with the use thereof.

126. Subject to the provisions of these Articles, the Board of Directors may designate any Person or Persons (even if they are not members of the Board of Directors) to act and to sign in the name of the Company, and to apply the Company's rubber stamp; the acts and signature of such a person or persons shall bind the Company, insofar as such person or persons have acted and signed within the limits of their authority.

127. The printing of the name of the Company by any means next to the signatures of the authorized signatories of the Company, as aforesaid, shall be valid as if the rubber stamp of the Company was affixed.

128. Reserved.

Accounts and Audit

129. The Directors shall cause correct accounts to be kept:

(1) Of the assets and liabilities of the Company;

(2) Of moneys received or expended by the Company and the matters for which such moneys are expended or received;

(3) Of all purchases and sales made by the Company.

The account books shall be kept in the Office or at such other place as the Directors deem fit, and they shall be open for inspection by the Directors.

130. The Directors shall determine from time to time, in any specific case or type of cases, or generally, whether and to what extent, and at what times and places, and under what

conditions or regulations, the accounts and books of the Company, or any of them, shall be open for inspection by the Shareholders. Subject to the provisions of the Original Agreements, and these Articles, no Shareholder other than a Director shall have any right to inspect any account book or document of the Company except as conferred by Law or authorized by the Board of Directors or by the Company in a general meeting.

131. Auditors shall be appointed and their function shall be set out in accordance with the Law and subject to any agreement among the Shareholders.

132. Not less than once a year, the Directors shall submit before the Company at a general meeting a balance sheet and profit and loss statement for the period after the previous statement. The statement shall be prepared in accordance with the relevant provisions of the applicable Law. A report of the auditor shall be attached to the statements, and it shall be accompanied by a report from the Directors with respect to the condition of the Company's business, the amount (if any) they propose as a dividend and the amount (if any) that they propose to set aside for the fund accounts.

Notices

133. A notice or any other document may be served by the Company or a Shareholder upon any Shareholder either personally or by sending it by mail, facsimile or addressed to such Shareholder at his registered address as appearing in the Register of Shareholders. If the address of a Shareholder is outside of Israel, then any notice sent by mail shall be sent by airmail. Any notice sent by facsimile or other means of electronic transmission allowed herein shall require confirmation for sending and receipt to be deemed as sent (subject to these Articles).

134. All notices with respect to any share to which persons are jointly entitled may be given to one of the joint holders, and any notice so given shall be sufficient notice to all the holders of such share.

135. Any Shareholder registered in the Register who shall from time to time furnish the Company with an address at which notices may be served, shall be entitled to receive all notices he is entitled to receive according to these Articles at that address. However, except for the aforesaid, no Shareholder whose address is not registered in the register shall be entitled to receive any notice from the Company.

136. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Shareholder by sending it through the mail in a prepaid airmail letter or facsimile addressed to them by name, at the address, if any, furnished for the purpose by the persons claiming to be so entitled or, until such an address has been so furnished, by giving the notice in any manner in which the same might have been given if the death or bankruptcy have not occurred.

137. Any notice or other document, (i) if delivered personally, shall be deemed to have been served upon delivery, (ii) if sent by mail, shall be deemed to have been served 14 days after the delivery thereof to the post office, if sent by airmail, and 7 days after the delivery thereof to the post office, if sent by domestic post, and (iii) if sent by electronic mail or facsimile, shall be deemed to have been served on the next business day after the time such, facsimile or telegram was sent. If a notice is, in fact, received by the addressee, then it shall be deemed to have been duly served, when received, notwithstanding it having been defectively addressed or failed in some other respect, to comply with the provisions of this Article 137.

In proving such service it shall be sufficient to prove that the letter containing the notice was properly addressed and delivered at the post office, or sent by confirmed facsimile, as the case may be.

Reorganization of the Company

138. Subject to the rights of each class of shares, in case of a sale of substantially all of the Company's assets the Directors may, or in case of liquidation the liquidators may, if authorized by resolution of the Company, receive shares paid in full or in part, debentures, or other securities of any other company, whether already existing or about to be established for the purpose of acquiring the property of the Company, or a part thereof.

139. Subject to the rights of each class of shares, and to the provisions of these Articles, the Directors (if the profits of the Company so permit) or the liquidators (at the time of liquidation) may distribute among the Shareholders the shares or aforesaid securities or any other property of the Company without realizing them, or may deposit them with trustees for the Shareholders.

140. Reserved.

Office Holders' Indemnity and Insurance

141. Subject to the provisions of any Law, the Company may indemnify its Office Holders (as defined in the Law) with respect to any of the following:

141.1. A monetary liability or expense imposed on or incurred by him in favor of a third party in any judgment, including any settlement confirmed as judgment and an arbitrator's award which has been confirmed by the court, in respect or as a result of an act (or omission) performed by him by virtue of him being an Office Holder of the Company;

141.2. Reasonable litigation expenses, including legal fees paid for by the Office Holder, or which he is obligated to pay under a court order, in a proceeding brought against him by the Company, or on its behalf, or by a third party, or in a criminal proceeding in which he is found innocent, or in a criminal proceeding in which the Office Holder was convicted of an offense that does not require proof of criminal intent, all in respect or as a result of an act (or omission) performed by him by virtue of him being an Office Holder of the Company.

141.3. Reasonable litigation expenses, including legal fees, expended by him in respect or as a result of an investigation or proceeding instituted against him by a competent authority, which investigation or proceeding has not ended in a criminal charge or in a financial liability in lieu of a criminal proceeding, or has ended in a financial obligation in lieu of a criminal proceeding for an offence that does not require proof of criminal intent (the phrases "proceeding that has not ended in a criminal charge" and "financial obligation in lieu of a criminal proceeding" shall have the meaning as defined in Section 260(a)(1a) of the Companies Law).

The Company may undertake to indemnify an Office Holder as aforesaid: (i) prospectively, provided that the undertaking according to Article 141.1 above is limited to events which in the opinion of the Board of Directors can be foreseen, in view of the Company's then current activities, when the undertaking to indemnify is given, and to an amount or criteria set by the Board of Directors as reasonable under the circumstances, and (ii) retroactively.

142. Subject to the provisions of any Law, the Company may procure, for the benefit of any of its Office Holders, office holders' liability insurance with respect to any of the following:

142.1. A breach of the duty of care owed to the Company or any other person;

142.2. A breach of the fiduciary duty owed to the Company, provided that such Office Holder acted in good faith and had reasonable grounds to assume that the action would not injure the Company;

142.3. A monetary liability imposed on such Office Holder in favor of a third party, in respect or as a result of an act (or omission) performed by him by virtue of him being an Office Holder of the Company.

142A. The Company may, to the maximum extent permitted by law, exempt and release an Office Holder, including in advance, from and against all or part of his liability for monetary or other damages due to, arising or resulting from, a breach of his duty of care to the Company other than a breach of his or her duty of care to the Company upon "distribution" as such term is defined in the Companies Law. The Directors are released and exempt from all liability as aforesaid to the maximum extent permitted by law with respect to any such breach, which has been or may be committed.

142B. The provisions of Articles 141, 142 and 142A above are not intended, and shall not be interpreted, to restrict the Company in any manner in respect of the procurement of insurance and/or in respect of indemnification (i) in connection with any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder, and/or (ii) in connection with any Office Holder to the extent that such insurance and/or indemnification is not specifically prohibited under applicable law; provided that the procurement of any such insurance and/or the provision of any such indemnification shall be approved by the Board.

In the event of any change after the date of adoption these Articles in any applicable law, statute or rule which expands the right of an Israeli company to indemnify or insure an Office Holder, these Articles shall automatically be deemed to enable the Company to so expand the scope of indemnification and/or insurance that the Company is able to provide.

Winding Up

143. In the event of a winding up of the Company, the Company's property distributable among the Shareholders shall be distributed, subject to the specific rights of each class of shares, in proportion to the sum paid on account of the nominal value of the shares held by them, of any class, without taking into account premiums paid in excess of the nominal value.

144. If, at the time of liquidation, the Company's property available for distribution among the Shareholders shall not suffice to return all the paid up capital, and subject to, and without derogating from, any rights or surplus rights or existing restrictions at that time of any special class of shares forming part of the capital of the Company, such property shall be divided so that the losses shall as much as possible be borne by the Shareholders in proportion to the paid up capital or that which shall have been paid at the commencement of the liquidation on the shares held by each of them. If, at the time of liquidation, the Company's property designated for distribution among the Shareholders is in excess of the amount necessary for the return of capital paid up at the beginning of the liquidation, and subject to, and without derogating from, any rights or surplus rights or existing restrictions at that time of any special class of shares forming part of the capital of the Company it shall belong and be delivered to the Shareholders pro rata to the amount paid on the nominal value of each share held by each of them at the commencement of the liquidation.

Purchase of a Substantial Portion of Company Shares

145. (a) In the event that a third party (in this Article, the "**Offeror**") shall offer to purchase all of the outstanding shares of the Company and holders of at least 75% of the issued shares of the Company or the voting rights of the Company (the "**Majority**") are willing to accept such an offer, then the remaining shareholders (the "**Minority**") agree to and shall sell all of their shares to the Offeror. The Majority and Minority shareholders further agree that the Offeror will purchase the shares of the Majority and Minority shareholder on the same terms and conditions (including repayment of debts and release from guarantees) and for the same price

per share, subject to the liquidation preference of the holders of Preferred Shares under Article 6.1 above, if any. Article 39 shall not apply to transfer pursuant to this Article 145.

(b) Thirty (30) days prior to the date set by the Offeror as the final date for accepting such offer, the Company shall notify, or cause to be notified, each Shareholder in writing of such offer. Such notice shall set forth: (i) the name of the Offeror and the number of shares proposed to be acquired; (ii) the proposed amount and form of consideration and terms and conditions of payment offered by the Offeror; and (iii) the names of, and number of shares held of record by, Shareholders that the Company knows are willing to accept the offer.

(c) With respect to each purchase of shares by an Offeror pursuant to this Article, the consideration for the shares so purchased shall be paid in full at such closing to the Shareholder against delivery of the appropriate certificates or instruments evidencing such shares, duly enclosed or with duly executed share powers attached thereto. Shares delivered at each such closing shall be free and clear of all security interests, and all title thereto, and all rights and privileges of ownership thereof, immediately shall be vested in the Offeror.

(d) The Company shall not affect any transfer of shares by any Shareholder until it has satisfactory evidence that the provisions of this Article, if applicable to such transfer, have been complied with.

Restrictive Provisions

146. Any action or resolution of the Company's general meeting, or of the Board of Directors (or any committee thereof), as applicable, or of any subsidiary of the Company, regarding any of the following issues shall require the consent of the Majority Investors or, if applicable, of at least two of the Preferred Shareholders Directors: (i) amendment to the Company's incorporation documents; (ii) an increase of the number of shares reserved for allocation for employees, directors or consultants under the Company's share option plans ("**ESOP**"), as of the date of adoption of these Articles, or a change to the exercise price of the options granted under the ESOP; (iii) reclassification or re-capitalization of the Company's outstanding share capital; (iv) declaration and payment of any dividends or other distributions of cash, shares or assets; (v) change in the number of members of the Board of Directors; (vi) a material change in, or cessation of, the business of the Company; (vii) repurchase or redemption of any securities of the Company; (viii) a transaction with any of the Company's officers, directors, shareholders or other persons who are known to be Interested Parties outside the ordinary course of business; (ix) a Liquidation Event or a Deemed Liquidation Event; (x) the liquidation, dissolution or winding up of the Company or termination of the Company's activities; and (xi) the offering of the Company's shares to the public in an IPO or if prior to the IPO, the initial registration of the Comapny's shares on any stock exchange or stock market. This Article 146 shall not be amended unless such amendment was adopted by the holders of the majority of the Preferred Shares issued and outstanding.

147. Without derogating from the provisions of Article 146 above or any applicable law, Articles 6.1, 6.3, 6.4, 10, 10A, 37, 38, 39, 77, 77A and 146, may be amended, solely with the consent of the holders of the majority of the Preferred Shares, unless such amendment is applied in a disproportionate manner to a class(es) of Preferred Shares, in which case a written consent of the holders of a majority of such class(es) of Preferred Shares shall be required.

148. Article 147 above shall not be amended, unless such amendment is approved by the holders of a majority of each class of Preferred Shares, in writing or at a separate special general meeting of the holders of each class of Preferred Shares pursunat to these Articles.

149. Aggregation of Shares. All shares of the Company held or acquired by a holder of Preferred Share which is a partnership or limited liability company or any affiliated entity thereof or

Permitted Transferee thereof or by any entity directly or indirectly controlling, controlled by or under common control of, such Preferred Shareholder including, without limitation, any general partner, officer or director of such person and any venture capital fund now or hereafter existing which is controlled by or under common control with one or more general partners, shall be aggregated together for the purpose of determining the availability of any rights under these Articles and the exercise of those rights may be allocated among such affiliated entities in such manner as those entities may determine.

Exhibit A — Illustration (Article 6.3.1(c))

Exhibit A to Articles of Association — Illustration of Calculation of Number of Special Ordinary Conversion Shares

Calculation of Deemed Fully Diluted Share Capital	Post Split	Article 6.3.1(C) References
Number of Issued, as converted basis, excluding Preferred A Shares held in escrow	6,110,797	Paragraph (1) of Definition of "Deemed Fully Diluted Share Capital"
Assumed cashless exercised of warrants and right to purchase Preferred A Shares held in escrow and not fully paid up	196,677	Paragraph (2) of the definition of "Deemed Fully Diluted Share Capital"
Assumed exercise options and warrants to purchase Preferred Shares at par value	54,463	Paragraph (2) of the definition of "Deemed Fully Diluted Share Capital"
Allocated options and warrants to purchase ordinary shares	1,537,220	Paragraph (3) of the definition of "Deemed Fully Diluted Share Capital"
Deemed Fully Diluted Share Capital	7,899,157	"Deemed Fully Diluted Share Capital" / "FD"
Calculation of Deemed IPO Proceeds		
Theoretical Price per share at IPO	$ 22.75	"Offering Price Per Share"
Deemed IPO Proceeds	179,705,822	"Deemed IPO Proceeds"
Calculation of Deemed Preference Distribution Amount		
Number of Outstanding Preferred E Shares	452,157	
Original Issue Price per Preferred E Share	$ 12.16410	
Preferred E Preference	$ 5,500,083	"Preferred E Preference"
Number of Outstanding Preferred D Shares	785,145	
Original Issue Price per Preferred D Share	$ 10.22560	
Preferred D Preference	$ 8,028,579	"Preferred D Preference"
Number of Outstanding Preferred C Shares	89,826	
Original Issue Price per Preferred C Share	$ 31.5050	
Preferred C Preference	$ 2,829,968	"Preferred C Preference" / "Deemed C Preference Amount"
Number of Outstanding Preferred B Shares	2,706,236	
Number of Preferred B Shares deemed issued upon cashless exercise of warrants	114,673	
Original Issue Price per Preferred B Share	$ 7.9450	
Preferred B Preference	$ 22,412,122	"Preferred B Preference"
Number of Outstanding Preferred A Shares	668,205	
Number of Preferred A Shares deemed issued upon cashless exercise of right to purchase Preferred A Shares held in escrow	82,004	
Original Issue Price per Preferred A Share	$ 5.53750	
Preferred A Preference	$ 4,154,282	"Preferred A Preference"
Total Preference	$ 42,925,034	"Deemed Preference Distribution Amount"
Calculation of Deemed C Pro-Rata Amount		
Deemed IPO Proceeds	$179,705,822	
Deemed Preference Distribution Amount	$ 42,925,034	
Deemed Pro-Rata Distribution Amount	$136,780,788	
Deemed Fully Diluted Share Capital	7,899,157	
Number of Ordinary Shares issuable upon conversion of Preferred C Shares immediately prior to the IPO (excluding the adjustment under Article 6.3.1(c))	110,049	"Deemed C Outstanding" / "C"
Deemed C Pro-Rata Portion	1.39%	"Deemed C Pro-Rata Portion"
Deemed C Pro-Rata Amount	$ 1,905,594	"Deemed C Pro-Rata Amount"
Calculation of Required C Percentage		
Deemed C Total Amount	$ 4,735,562	
Required C Percentage	2.64%	"Required C Percentage" / "C%"

Calculation of Deemed Fully Diluted Share Capital	Post Split	Article 6.3.1(C) References
Calculation of Number of Special Ordinary Conversion Shares		
FD	7,899,157	
C	110,049	
C%	2.64%	
Number of Special Ordinary Conversion Shares (FD-C)*C%/(100%-C%)	**210,812**	"Number of Special Ordinary Conversion Shares"
Cashless Exercise Calculations		
Cashless exercise calculation of right to purchase Preferred A Shares held in Escrow		
Number of shares subject to right to purchase	108,357	
Fair market value of shares (based on Offering Price Per Share)	$2,465,122	
Total purchase price	$ 599,525	
Cashless exercise shares	82,004	
Cashless exercise calculation of Warrant #1 for Preferred B Shares		
Number of shares subject to exercise	62,933	
Fair market value of shares (based on Offering Price Per Share)	$1,431,726	
Total purchase price	$ 500,000	
Cashless exercise shares	40,955	
Cashless exercise calculation of Warrant #2 for Preferred B Shares		
Number of shares subject to exercise	37,760	
Fair market value of shares (based on Offering Price Per Share)	$ 859,040	
Total purchase price	$ 300,000	
Cashless exercise shares	24,573	
Cashless exercise calculation of Warrant #3 for Preferred B Shares		
Number of shares subject to exercise	44,053	
Fair market value of shares (based on Offering Price Per Share)	$1,002,206	
Total purchase price	$ 350,000	
Cashless exercise shares	28,668	
Cashless exercise calculation of Warrant #4 for Preferred B Shares		
Number of shares subject to exercise	31,466	
Fair market value of shares (based on Offering Price Per Share)	$ 715,852	
Total purchase price	$ 250,000	
Cashless exercise shares	20,477	

Exhibit 3.3

THE COMPANIES LAW, 5759-1999
A COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION OF
Allot Communications Ltd.

GENERAL PROVISIONS

1. Interpretation.

1.1. In these Articles, unless the context otherwise requires, the following terms shall have the meaning set forth below:

"Articles"	the Articles of Association of the Company, as shall be in force from time to time.
"Board of Directors"	the Company's Board of Directors.
"Company"	Allot Communications Ltd.
"Companies Law"	the Israeli Companies Law 5759 — 1999, as may be amended from time to time, and the regulations promulgated thereunder.
"Companies Ordinance"	the Israeli Companies Ordinance (New Version), 1983, as may be amended from time to time, and the regulations promulgated thereunder.
"Director"	A member of the Board of Directors.
"Distribution"	As defined in the Companies Law.
"Office Holder"	As defined in the Companies Law ("*Nose Misra*").
"Ordinary Resolution"	A resolution in a General Meeting that is approved by more than fifty percent (50%) of the voting power represented at the meeting and voted therein.
"Special Resolution"	A resolution in a General Meeting that is approved by at least seventy five percent (75%) of the voting power represented at the meeting and voted therein.

1.2. Unless the subject or the context otherwise requires: words and expressions not specifically defined herein and defined in the Companies Law or, if not defined in the Companies Law and if applicable, as defined in the Companies Ordinance, in force on the date when these Articles or any amendment thereto, as the case may be, first became effective shall have the meanings therein; words and expressions importing the singular shall include the plural and vice versa; words and expressions importing the masculine gender shall include the feminine gender; and words and expressions importing persons shall include bodies corporate. The captions in these Articles are for convenience only and shall not be deemed a part hereof or affect the construction of any provision hereof.

1.3. The specific provisions of these Articles supersede the provisions of the Companies Law and the Companies Ordinance to the extent permitted under the Companies Law and the Companies Ordinance.

2. Public Company; Limitation of Liability.

2.1. The Company is a public company as such term is defined in the Companies Law.

2.2. The liability of the each of the Company's shareholders is limited to the payment of the nominal value of the shares in the Company held by such shareholder and which remains unpaid, and only to that amount. If the Company's share capital shall include at any time shares without a nominal value, the liability of a shareholder in respect of such shares shall be limited to the payment of up to NIS 0.10 for each such share held by it and which remains unpaid, and only to that amount.

3. Object and Purpose of the Company.

3.1. The object and purpose of the Company shall be as set forth in the Company's Memorandum of Association, as the same shall be amended from time to time in accordance with applicable law.

3.2. The Company may make contributions of reasonable amounts to worthy causes, as the Board of Directors may determine in its discretion, even if such contributions are not made on the basis of business considerations.

SHARE CAPITAL

4. Share Capital.

The authorized share capital of the Company is 20,000,000 New Israeli Shekels divided into 200,000,000 Ordinary Shares, each having a nominal value of NIS 0.10 (the "**Ordinary Shares**").

5. Increase of Share Capital.

The Company may, from time to time, by an Ordinary Resolution, whether or not all the shares then authorized have been issued, and whether or not all the shares theretofore issued have been called up for payment, increase its authorized share capital by the creation of new authorized shares. Any such increase shall be in such amount and shall be divided into shares of such nominal amounts, and such shares shall confer such rights and preferences and be subject to such restrictions, as such resolution shall provide. Except to the extent otherwise provided in such resolution, such newly-authorized shares shall be subject to all the provisions of these Articles applicable to the shares of such class included in the existing share capital.

6. Rights of the Ordinary Shares.

6.1. The Ordinary Shares confer upon the holders thereof all rights accruing to a shareholder of a Company, as provided in these Articles, including, inter alia, the right to receive notices of, and to attend meetings of shareholders; for each share held, the right to one vote at all meetings of shareholders; and to share equally, on a per share basis, in such dividends as may be declared by the Board of Directors in accordance with these Articles and the Companies Law, and upon liquidation or dissolution of the Company, in the assets of the Company legally available for distribution to shareholders after payment of all debts and other liabilities of the Company, in accordance with the terms of these Articles and applicable law. All Ordinary Shares rank pari passu in all respects with each other.

6.2. (i) If at any time the share capital is divided into different classes of shares, the rights attached to any class, unless otherwise provided by these Articles, may be modified or abrogated by the Company, by a resolution passed by the holders of a majority of the voting power of shares of such class present and voting at a separate Class Meeting of the holders of the shares of such class; and

(ii) Unless otherwise provided by these Articles, the rights attached to a class of shares shall not be deemed for purposes of this Article 6 to be modified or abrogated by: (i) an increase or decrease of the authorized number of shares of such class of shares or of any other existing class of shares; (ii) the issuance of additional shares of such class of shares or of any other existing class of shares; or (iii) the creation of a new class of shares and the issuance of shares thereof.

7. Consolidation, Subdivision, Cancellation and Reduction of Share Capital.

7.1. Subject to the provisions of these Articles and applicable law, the Company may, from time to time, by an Ordinary Resolution:

7.1.1. consolidate all or any of its issued or unissued share capital into shares of larger nominal value than its existing shares;

7.1.2. subdivide its shares (issued or unissued) or any of them, into shares of smaller nominal value than is fixed by these Articles, and the resolution whereby any share is subdivided may determine that, as among the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any such preferred or deferred rights or rights of redemption or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares;

7.1.3. cancel any authorized shares not yet issued, provided that the Company has made no commitment, including a conditional commitment, to issue such shares; or

7.1.4. reduce its share capital in any manner, subject to any authorization or consent required by applicable law.

7.2. With respect to any consolidation of shares and any other action which may result in fractional shares, the Board of Directors may settle any difficulty which may arise with regard thereto, as it deems fit, including, inter alia, resort to one or more of the following actions:

7.2.1. allot, in contemplation of or subsequent to such consolidation or other action, such shares or fractional shares sufficient to preclude or remove fractional share holdings;

7.2.2. to the extent as may be permitted under the Companies Law, redeem or purchase such shares or fractional shares sufficient to preclude or remove fractional shareholdings;

7.2.3. cause the transfer of fractional shares by certain shareholders of the Company to other shareholders thereof so as to most expediently preclude or remove any fractional shareholdings, and cause the transferees to pay the transferors the fair value of fractional shares so transferred, and the Board of Directors is hereby authorized to act as agent for the transferors and transferees with power of substitution for

purposes of implementing the provisions of this sub-Article 7.2.3.

SHARES

8. Allotment of Shares and other Securities.

Subject to the Companies Law and these Articles: (a) the unissued shares from time to time shall be under the control of the Board of Directors, which shall have the power to offer or allot such shares or otherwise dispose of them to such persons, for cash, or for such other consideration that is not cash, with such restrictions and conditions, in excess of their nominal value, at their nominal value, or at a discount to their nominal value and/or with payment of commission, and at such times, as the Board of Directors shall deem appropriate, and (b) the Board of Directors shall have the power to cause the Company to grant to any person the option or right to acquire from the Company any shares, in each case on such terms as the Board of Directors shall deem appropriate.

Subject to the Companies Law and these Articles, the Company may issue shares having the same rights as the existing shares, or having preferred or deferred rights, or rights of redemption, or restricted rights, or any other special right in respect of dividend distributions, voting, appointment or dismissal of directors, return of share capital, distribution of Company's property, or otherwise, all as determined by the Company from time to time, provided that such issuance shall not infringe on any other provision of these Articles or any special right previously granted to a shareholder to the extent such rights are still in effect.

9. Issuance of Share Certificates; Replacement of Lost Certificates.

9.1. Share certificates, when issued, shall be issued under the seal, stamp or printed name of the Company and shall bear the signatures (including by facsimile) of two Directors, or of any other person or persons authorized thereto by the Board of Directors.

9.2. Each shareholder shall be entitled to one or more numbered certificates for all shares of any class registered in his name. Each certificate may specify the serial numbers of shares represented thereby.

9.3. A share certificate registered in the names of two or more persons shall be delivered to the person first named in the Register of Shareholders in respect of such co-ownership and the Company shall not be obligated to issue more than one certificate to all the joint holders.

9.4. If a share certificate is defaced, lost or destroyed, it may be replaced, upon payment of such fee, and upon the furnishing of such evidence of ownership and such indemnity, as the Board of Directors may deem fit.

10. Registered Holder.

Except as otherwise provided in these Articles, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof, and, accordingly, shall not, except as ordered by a court of competent jurisdiction, or as required by statute, be bound to recognize any equitable or other claim to, or interest in such share on the part of any other person.

11. Payment in Installments.

If by the terms of allotment of any share, the whole or any part of the price thereof shall by payable in installments, every such installment shall, when due, be paid to the Company by

the then registered holder(s) of the share or the person(s) then entitled thereto.

12. Calls on Shares.

12.1. The Board of Directors may, from time to time, make such calls as it may deem fit upon holders of shares in respect of any sum unpaid in respect of shares held by such holders which is not, by the terms of allotment thereof or otherwise, payable at a fixed time, and each of such holders shall pay the amount of every call so made upon him (and of each installment thereof if the same is payable in installments), to the person(s) and at the time(s) and place(s) designated by the Board of Directors in the notice referred to below, as any such time(s) may be thereafter extended and/or such person(s) or place(s) changed. Unless otherwise stipulated in the resolution of the Board of Directors (and in the notice hereafter referred to), each payment in response to a call shall be deemed to constitute a pro rata payment on account of all shares in respect of which such call was made.

12.2. Notice of any call shall be given in writing to the holder(s) in question not less than fourteen (14) days prior to the time of payment, specifying the time and place of payment, and designating the person to whom such payment shall be made, provided, however, that before the time for any such payment, the Board of Directors may, by notice in writing to such holder(s), revoke such call in whole or in part, extend such time, or alter such person and/or place. In the event of a call payable in installments, only one notice thereof need be given.

12.3. If, by the terms of allotment of any share or otherwise, any amount is made payable at any fixed time, then such amount shall be payable at such time as if it were a call duly made by the Board of Directors and of which due notice had been given, and all the provisions herein contained with respect to such calls shall apply to each such amount.

12.4. Any amount unpaid in respect of a call shall bear interest from the date on which it is payable until actual payment thereof, at such rate as the Board of Directors may prescribe (not exceeding the then prevailing debitory rate charged by leading commercial banks in Israel), and at such time(s) as the Board of Directors may prescribe.

12.5. The Board of Directors may provide for differences among the allottees of such shares as to the amount of calls and/or the times of payment thereof.

12.6. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof and all interest payable thereon.

13. Prepayment.

With the approval of the Board of Directors, any holder of shares may pay to the Company any amount not yet payable in respect of his shares, and the Board of Directors may approve the payment of interest on any such amount until the same would be payable if it had not been paid in advance, at such rate and time(s) as may be approved by the Board of Directors. The Board of Directors may at any time cause the Company to repay all or any part of the money so advanced, without premium or penalty. Nothing in this Article 13 shall derogate from the right of the Board of Directors to make any call before or after receipt by the Company of any such advance.

14. Forfeiture and Surrender.

14.1. If any holder fails to pay any amount payable in respect of a call, or interest thereon

as provided for in these Articles, on or before the day fixed for payment of the same, the Company, by resolution of the Board of Directors, may at any time thereafter, so long as the said amount or interest remains unpaid, forfeit all or any of the shares in respect of which said call had been made. Any expense incurred by the Company in attempting to collect any such amount or interest, including, inter alia, attorneys' fees and costs of suit, shall be added to, and shall, for all purposes (including the accrual of interest thereon), constitute a part of the amount payable to the Company in respect of such call.

14.2. Upon the adoption of a resolution of forfeiture, the Board of Directors shall cause notice thereof to be given to such holder, which notice shall state that, in the event of the failure to pay the entire amount so payable within a period stipulated in the notice (which period shall not be less than fourteen (14) days, unless otherwise stated in the terms of issuance of the forfeited shares) and which may be extended by the Board of Directors), such shares shall be ipso facto forfeited, provided, however, that, prior to the expiration of such period, the Board of Directors may nullify such resolution of forfeiture, but no such nullification shall estop the Board of Directors from adopting a further resolution of forfeiture in respect of the non-payment of the same amount.

14.3. Without derogating from Articles 14.1 and 14.2 hereof, whenever shares are forfeited as herein provided, all dividends declared prior to such forfeiture in respect of such shares and not actually paid shall be deemed to have been forfeited at the same time.

14.4. The Company, by resolution of the Board of Directors, may accept the voluntary surrender of any share. A surrendered share shall be treated as if it had been forfeited.

14.5. Any share forfeited or surrendered as provided herein shall become the property of the Company, and the same, subject to the provisions of these Articles and the Companies Law, may be sold, re-allotted or otherwise disposed of as the Board of Directors deems fit.

14.6. Any shareholder whose shares have been forfeited or surrendered shall cease to be a holder in respect of the forfeited or surrendered shares, but shall, notwithstanding, be liable to pay, and shall forthwith pay, to the Company, all calls, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until actual payment, at the rate prescribed in Article 12.4 above, and the Board of Directors, in its discretion, may enforce the payment of such moneys or any part thereof, but shall not be under any obligation to do so. In the event of such forfeiture or surrender, the Company, by resolution of the Board of Directors, may accelerate the date(s) of payment of any or all amounts then owing by the holder in question (but not yet due) in respect of all shares owned by such holder, solely or jointly with another.

14.7. The Board of Directors may at any time, before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, nullify the forfeiture or surrender on such conditions as it deems fit, but no such nullification shall estop the Board of Directors from re-exercising its powers of forfeiture pursuant to this Article 14.

15. Lien.

15.1. Except to the extent the same may be waived or subordinated in writing, the Company shall have a first and paramount lien upon all the shares registered in the name of each holder that were not paid up in full (without regard to any equitable or

other claim or interest in such shares on the part of any other person), and upon the proceeds of the sale thereof, in respect of money due to the Company on calls for payment or payable at fixed times, whether or not presently payable, or the fulfillment and performance of the obligations and commitments to which the Company is entitled in respect of the shares. Such lien shall extend to all distributions from time to time declared or made in respect of such shares.

15.2. The Board of Directors may cause the Company to sell any shares subject to such lien when any such debt or obligation has matured, in such manner as the Board of Directors may deem fit, but no such sale shall be made unless such debt or obligation has not been satisfied within fourteen (14) days after written notice of the intention to sell shall have been served on such holder, his executors or administrators.

15.3. The net proceeds of any such sale, after payment of the costs thereof, shall be applied in or toward satisfaction of the debt or obligation of such holder, or any specific part of the same (as the Company may determine), and the residue (if any) shall be paid to the holder, his executors, administrators or assigns, subject to a lien on amounts the date of payment of which has not yet arrived, similar to the lien on the share before its sale.

16. Sale after Forfeiture or Surrender or in Enforcement of Lien.

Upon any sale of shares after forfeiture or surrender or for enforcing a lien, the Board of Directors may appoint any person to execute an instrument of transfer of the shares so sold and cause the purchaser's name to be entered in the Register of Shareholders in respect of such shares, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register of Shareholders in respect of such shares, the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

17. Redeemable Shares.

The Company may, subject to applicable law, by resolution of the Board of Directors, issue redeemable securities and determine the terms of their redemption and the provisions of the Companies Law shall apply to the issue of such securities. The Board of Directors shall determine which redeemable securities shall be redeemed, from time to time, in accordance with the terms of the issuance of such securities.

TRANSFER OF SHARES

18. Effectiveness and Registration.

18.1. No transfer of shares shall be registered unless a proper instrument of transfer (in any customary form or any other form satisfactory to the Board of Directors) signed by both the transferor and the transferee has been submitted to the Company or its transfer agent, together with any share certificate(s) or such other evidence of title as the Board of Directors may reasonably require. Until the transferee has been registered in the Register of Shareholders in respect of the shares so transferred, the Company may continue to regard the transferor as the owner thereof. The Board of Directors may, from time to time, prescribe a fee for the registration of a transfer.

18.2. The instrument of transfer of shares shall be in writing and shall be substantially in the following form or in any other form satisfactory to the Board of Directors:

I, _____, of _____ (the "**Transferor**"), for valuable consideration paid to me

by _____ of _____ (the "**Transferee**"), hereby transfer to the Transferee _____ _____shares of Allot Communications Ltd., ___nominal value each, to be held by the said Transferee and/or its executors, administrators and assignees, upon all of the terms and conditions subject to which the Transferor held such shares, and the said Transferee does hereby agree to take such shares subject to the above terms and conditions.

IN WITNESS WHEREOF the Transferor and the Transferee have executed this instrument this ___day of _____, 20___.

Transferor	Transferee

18.3. The Board of Directors may, in its discretion, refuse to register the transfer of share which was not fully paid up.

18.4. Registered transfer instruments shall remain with the Company, but any transfer instrument, which the Board of Directors refused to register, shall be returned to the transferor upon demand.

TRANSMISSION OF SHARES

19. Decedents' Shares.

19.1. Upon the death of a shareholder, in case of a share registered in the names of two or more holders, the Company may recognize the survivor(s) as the sole owner(s) thereof unless and until the provisions of Article 19.2 have been effectively invoked. In case of a share registered in the names of two or more holders, each holder thereof shall be entitled to transfer their rights in such share(s).

19.2. Any person becoming entitled to a share in consequence of the death of any person, upon producing evidence of the grant of probate or letters of administration or declaration of succession (or such other evidence as the Board of Directors may reasonably deem sufficient that he sustains the character in respect of which he proposes to act under this Article or of his title), shall be registered as a holder in respect of such share, or may, subject to the regulations as to transfer herein contained, transfer such share.

20. Receivers and Liquidators.

20.1. The Company may recognize the receiver or liquidator of any corporate shareholder in winding-up or dissolution, or the receiver or trustee in bankruptcy of any shareholder, as being entitled to the shares registered in the name of such shareholder.

20.2. The receiver or liquidator of a corporate shareholder in winding-up or dissolution, or the receiver or trustee in bankruptcy of any shareholder, upon producing such evidence as the Board of Directors may deem sufficient that he sustains the character in respect of which he proposes to act under this Article or of his title, shall be registered as a shareholder in respect of such shares, or may, subject to the regulations as to transfer herein contained, transfer such shares.

RECORD DATE FOR NOTICES OF GENERAL MEETINGS AND OTHER ACTION

21. Record Date for General Meetings.

Notwithstanding any provision to the contrary in these Articles, for the determination of the

holders entitled to receive notice of and to participate in and vote at a General Meeting, or to express consent to or dissent from any corporate action in writing, or to exercise any rights in respect of shares of the Company (other than with respect to distribution of dividends as detailed in Article 22 below), the Board of Directors may fix, in advance, a record date, which, subject to and except as otherwise permitted by any applicable law, shall not be earlier than forty (40) days prior to the date of the General Meeting or other action, as the case may be, nor later than four (4) days prior to the date of the General Meeting or other action, as the case may be. No persons other than holders of record of voting shares as of such record date shall be entitled to notice of and to participate in and vote at such General Meeting, or to exercise such other right, as the case may be. A determination of holders of record with respect to a General Meeting shall apply to any adjournment of such meeting, provided that the Board of Directors may fix a new record date for an adjourned meeting.

22. Record Date for Distributions.

22.1. Subject to the applicable law, the person entitled to receive payment of any dividend or other distribution or allotment of any rights, shall be the holder of record of shares of the Company that are entitled to distribution of dividends on the date upon which it was resolved to distribute the dividends or at such later date as shall be provided in the resolution in question.

22.2. The transfer of shares shall not entitle the transferee to a dividend or any other monies payable by the Company on account of ownership of shares that was agreed upon after said transfer, but before its registration with the Company, as required by these Articles and any applicable law.

GENERAL MEETINGS

23. Annual General Meeting.

An Annual General Meeting shall be held once in every calendar year at such time (within a period of not more than fifteen (15) months after the last preceding Annual General Meeting) and at such place as may be determined by the Board of Directors.

24. Special Meetings.

All General Meetings other than Annual General Meetings shall be called “Special General Meetings”. The Board of Directors may, whenever it deems fit, convene a Special General Meeting at such time and place as may be determined by the Board of Directors, and shall be obliged to do so upon a requisition in writing in accordance with Section 63 of the Companies Law.

25. Class Meetings.

The provisions of these Articles with respect to General meetings shall apply, *mutatis mutandis*, to meetings of the holders of a class of shares of the Company (herein “Class Meetings”); provided, however, that the requisite quorum at any such Class Meeting shall be at least two shareholders, present in person or by proxy, and holding together shares representing not less than 25% of the voting power of the issued shares of such class.

26. Notice of General Meetings.

26.1. To the extent permitted by applicable law, the Company is not required to deliver a personal notice of General Meetings to each holder of record of the Company’s Shares.

26.2. Subject to these Articles and to the applicable law and regulations, including the

applicable laws and regulations of any stock market or over-the-counter market on which the Company's shares are listed, the Company shall provide to those who are entitled to participate in a General Meeting or publish a written notice not less than twenty-one (21) days prior to any General Meeting.

PROCEEDINGS AT GENERAL MEETINGS

27. Quorum.

27.1. Two or more shareholders (not in default in payment of any sum referred to in Article 12 hereof), present in person or by proxy and holding shares conferring in the aggregate at least one twenty five percent (25%) of the voting power of the Company shall constitute a quorum at General Meetings. No business shall be transacted at a General Meeting, or at any adjournment thereof, unless the requisite quorum is present when the resolution is voted upon.

27.2. If within thirty (30) minutes from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved, but shall stand adjourned to the same day at the same time the following week (the "**Deferred General Meeting**"), and the Company shall not be obligated to give notice to the shareholders of the Deferred General Meeting, or to a later date, if so specified in the notice of the General Meeting. In the Deferred General Meeting, all matters for which the General Meeting was summoned shall be discussed, provided at least two shareholders (not in default in payment of any sum referred to in Article 12 hereof), present in person or by proxy who hold shares conferring in the aggregate at least ten percent (10%) of the voting power of the Company (subject to applicable law, rules and regulations).

27.3. If the General Meeting was convened pursuant to a request by the shareholders (in accordance with Section 63 of the Companies Law), then the requisite quorum for the Deferred General Meeting must include at least the number of shareholders that are required in order to convene a General Meeting under Section 63 of the Companies Law (i.e., one or more shareholders holding at least five percent (5%) of the issued and outstanding share capital of the Company and at least one percent (1%) of the voting rights in the Company, or one or more shareholders holding at least five percent (5%) of the voting rights of the Company).

28. Chairperson.

The Chairperson, if any, of the Board of Directors shall preside as chairperson at every General Meeting of the Company, or any other person appointed by the Board of Directors for such purpose. If there is no such Chairperson, or if at any meeting he is not present within fifteen (15) minutes after the time fixed for holding the meeting or is unwilling to act as chairperson, then the directors present by a simple majority may elect one of the directors present as the chairperson, and if the directors present shall not do so, then the shareholders present shall choose someone of the shareholders present to be chairperson. The office of chairperson shall not, by itself, entitle the holder thereof to vote at any General Meeting nor shall it entitle such holder to a second or casting vote (without derogating, however, from the rights of such chairperson to vote as a holder of voting shares or proxy of a shareholder if, in fact, he is also a shareholder or such proxy).

29. Adoption of Resolutions at General Meetings.

29.1. Unless otherwise specified in these Articles or as otherwise required by applicable law, all matters brought to vote in a General Meeting, including without limitation the amendment of these Articles, shall be deemed adopted if approved by an

Ordinary Resolution. In the event of a tie-vote the proposed resolution shall be rejected.

29.2. Every question submitted to a General Meeting shall be decided by a show of hands, but if a written ballot is demanded by any shareholder present in person or by proxy and entitled to vote at the meeting, the same shall be decided by such ballot. A written ballot may be demanded before the voting on a proposed resolution or immediately after the declaration by the chairperson of the meeting of the results of the vote by a show of hands. If a vote by written ballot is taken after such declaration, the results of the vote by a show of hands shall be of no effect, and the proposed resolution shall be decided by such written ballot. The demand for a written ballot may be withdrawn at any time before the same is conducted, in which event another shareholder may then demand such written ballot. The demand for a written ballot shall not prevent the continuance of the meeting for the transaction of business other than the question on which the written ballot was demanded.

29.3. A declaration by the chairperson of the meeting that a resolution has been adopted unanimously, or adopted by a particular majority, or rejected, and an entry to that effect in the minute book of the Company, shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution.

30. Power to Adjourn.

The chairperson of a General Meeting at which a quorum is present may, with the consent of the holders of a majority of the voting power represented in person or by proxy and voting on the question of adjournment (and shall if so directed by the meeting), adjourn the meeting, the discussion or the decision in a matter that was on the agenda from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting as originally called and with respect to which no resolution was adopted.

31. Voting Power.

Subject to the provisions of Article 32 and subject to any provision hereof conferring special rights as to voting, or restricting the right to vote, every shareholder shall have one vote for each share held by him of record, on every resolution, without regard to whether the vote hereon is conducted by a show of hands, by written ballot or by any other means.

32. Voting Rights.

32.1. Unless otherwise decided by the Board, a shareholder shall not be entitled to vote at any General Meeting (or be counted as a part of the quorum thereat), with respect to shares for which all calls and other sums then payable by him have not been paid.

32.2. A company or other corporate body being a shareholder of the Company may authorize any person to be its representative at any General Meeting of the Company. Any person so authorized shall be entitled to exercise on behalf of such shareholder all the power which the latter could have exercised if it were an individual shareholder. Upon the request of the chairperson of the meeting, written evidence of such authorization (in form acceptable to the chairperson) shall be delivered to him.

32.3. Any shareholder entitled to vote may vote either personally or by proxy (who need not be a holder of the Company), or, if the holder is a company or other corporate body, by a representative authorized pursuant to Article 33.2.

32.4. If two or more persons are registered as joint holders of any share, the vote of the senior who tenders a vote, in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.

32.5. Minors and legally incompetent persons shall only be allowed to vote through their legal guardian, and any such guardian may vote as a proxy.

32.6. The Board of Directors may determine, in its discretion, the matters that may be voted upon at the meeting by a proxy card in addition to the matters listed in Section 87(a) of the Companies Law.

PROXIES

33. Instrument of Appointment.

33.1. The instrument appointing a proxy shall be in writing and shall be substantially in the following form:

"I _____ (Name of Shareholder) of _____ (Address of Shareholder) being a shareholder of Allot Communications Ltd. hereby appoint _____ as my proxy to vote for me and on my behalf at the General Meeting of the Company to be held on the ___ day of _____, 20___and at any adjournment(s) thereof.

Signed this ___day of _____, 20___.

_____
(Signature of Appointer)"

or in any usual or common form or in such other form as may be approved by the Board of Directors. It shall be duly signed by the appointer or his duly authorized attorney or, if such appointer is a company or other corporate body, under its common seal, stamp or printed name or the hand of its duly authorized agent(s) or attorney(s).

33.2. The instrument appointing a proxy (and the power of attorney or other authority, if any, under which such instrument has been signed) shall either be delivered to the Company (at its registered office, or at its principal place of business, or at the office of its registrar and/or transfer agent or at such place as the Board of Directors may specify) not less than twenty four (24) hours before the time fixed for the meeting, at which the person named in the instrument proposes to vote, or presented to the chairperson of the meeting at such meeting. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person in the meeting, unless the instrument is irrevocable by its terms.

33.3. The Board of Directors may cause the Company to send, by mail or otherwise, instruments of proxy to shareholders for use at any general meeting.

33.4. Any shareholder who holds more than one share shall be entitled to appoint a proxy with respect to all or some of its shares or appoint more than one proxy, provided that the instrument appointing a proxy shall include the number and class of shares with respect to which it was issued.

34. Effect of Death of Appointer or Revocation of Appointment.

A vote cast pursuant to an instrument appointing a proxy shall be valid notwithstanding the

previous death of the appointing holder (or of his attorney-in-fact, if any, who signed such instrument), or the revocation of the appointment or the transfer of the share in respect of which the vote is cast, provided no written notice of such death, revocation or transfer shall have been received by the Company or by the chairperson of the meeting before such vote is cast and provided, further, that the appointing holder, if present in person at said meeting, may revoke the appointment by means of a writing or oral notification to the chairperson, or otherwise.

BOARD OF DIRECTORS

35. Powers of Board of Directors.

35.1. General. The Board of Directors shall have all powers and responsibilities allocated to the Board of Directors by the Companies Law and these Articles, including setting the Company's policies and supervising the execution of the powers and responsibilities of the General Manager of the Company. The Board of Directors may execute any power of the Company that is not specifically allocated by applicable law or by these Articles to another organ of the Company.

35.2. Borrowing Power. Subject to the terms of these Articles, the Board of Directors may from time to time, in its discretion, cause the Company to borrow or secure the payment of any sum or sums of money for the purposes of the Company, and may secure or provide for the repayment of such sum or sums in such manner, at such times and upon such terms and conditions in all respects as it deems fit, and, in particular, by the issuance of bonds, perpetual or redeemable debentures, debenture stock, or any mortgages, charges, or other securities on the undertaking or the whole or any part of the property of the Company, both present and future, including its uncalled or called but unpaid capital for the time being.

35.3. Reserves. The Board of Directors may, from time to time, set aside any amount(s) out of the profits of the Company as a reserve or reserves for any purpose(s) which the Board of Directors, in its absolute discretion, shall deem fit, and may invest any sum so set aside in any manner and from time to time deal with and vary such investments, and dispose of all or any part thereof, and employ any such reserve or any part thereof in the business of the Company without being bound to keep the same separate from other assets of the Company, and may subdivide or re-designate any reserve or cancel the same or apply the funds therein for another purpose, all as the Board of Directors may from time to time deem fit.

36. Exercise of Powers of Directors.

36.1. A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all the authorities, powers and discretions vested in or exercisable by the Board of Directors.

36.2. Except as otherwise specifically set forth in these Articles or as required by applicable law, a resolution proposed at any meeting of the Board of Directors shall be deemed adopted if approved by a majority of the directors present (or participating, in the case of a vote through a permitted means of communications) and lawfully voting thereon (as conclusively determined by the Chairperson of the Board of Directors). The Board of Directors may conduct a meeting by use of any means of communications, provided all persons participating in the meeting can hear each other at the same time. A resolution approved by use of means of communications as aforesaid shall be deemed to be a resolution lawfully adopted at a

meeting of the Board of Directors. In the event of a tie-vote, the Chairperson of the Board of Directors shall not have casting vote on such matter, and the proposed resolution shall be rejected.

36.3. A resolution in writing signed by all directors then in office and lawfully entitled to vote thereon (as conclusively determined by the Chairperson of the Board of Directors) or to which all such directors have given their consent (by letter, facsimile, e-mail message or otherwise), shall be deemed to have been adopted by a meeting of the Board of Directors duly convened and held.

36.4. A resolution without convening may be adopted by the Board of Directors, provided, however, that all directors then in office and lawfully entitled to vote thereon have given their consent not to convene for such resolution. If a resolution without convening, as aforementioned, had been adopted, the Chairperson of the Board of Directors shall provide and sign a written minutes of the resolutions adopted, including the resolution not to convene.

37. Delegation of Powers.

37.1. Committees of the Board of Directors:

37.1.1. The Board of Directors may, subject to the provisions of the Companies Law and any other applicable law, delegate any of its powers to committees ("**Committees of the Board of Directors**"), and it may from time to time revoke such delegation or alter the composition of any such committee.

37.1.2. The membership of each Committee of the Board of Directors shall comply with the requirements of the Companies Law.

37.1.3. Subject to the provisions of the Companies Law and except as otherwise prescribed by the Board of Director, any resolution by the Committee of the Board of Directors within its authority shall be binding as if it was adopted by the Board of Directors.

37.1.4. A Committee of the Board of Directors shall, in the exercise of the powers so delegated, conform to any regulations imposed on it by the Board of Directors. The meetings and proceedings of any such Committee of the Board of Directors shall, mutatis mutandis, be governed by the provisions herein contained for regulating the meetings of the Board of Directors, so far as not superseded by any regulations adopted by the Board of Directors under this Article. Unless otherwise expressly provided by the Board of Directors in delegating powers to a Committee of the Board of Directors, such Committee shall not be empowered to further delegate such powers.

37.2. Without derogating from the powers and authorities of the Company's General Manager, the Board of Directors may from time to time, subject to the provisions of the Companies Law, appoint a Secretary to the Company, as well as officers, agents, employees and independent contractors, as the Board of Directors may deem fit, and may terminate the service of any such person. The Board of Directors may, subject to the provisions of the Companies Law, determine the powers and duties, as well as the salaries and emoluments, of all such persons, and may require security in such cases and in such amounts as it deems fit.

37.3. Without derogating from the powers and authorities of the Company's General

Manager, the Board of Directors may from time to time, by power of attorney or otherwise, appoint any person, company, firm or body of persons to be the attorney or attorneys of the Company at law or in fact for such purpose(s) and with such powers, authorities and discretions, and for such period and subject to such conditions, as it deems fit, and any such power of attorney or other appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board of Directors may deem fit, and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

38. Number of Directors.

Until otherwise determined by a Special Resolution of the Company's shareholders, and as so determined, the Board of Directors shall consist of not less than five (5) nor more than nine (9) Directors, two of whom shall be Outside Directors (as such term is defined in the Companies Law). Any change to this Article 38 shall only be carried out by a resolution of the shareholders of the Company, adopted by the holders of securities representing at least 2/3 (two thirds) of the voting securities of the Company then outstanding.

39. Election and Removal of Directors.

39.1. Outside Directors shall serve on the Board according to the number required by law, will be appointed and removed pursuant to the law and shall be governed by the relevant provisions of the law which applies to such Outside Directors.

39.2. All Directors, other than Outside Directors (who will be chosen and appointed, and whose term will expire, in accordance with applicable law), shall be appointed in accordance with the provisions of this Article.

39.3. Subject to the provisions of Article 40, the members of the Board of Directors of the Company shall be elected by an Ordinary Resolution in a General Meeting, according to the following conditions:

39.3.1. The Directors of the Company (other than the Outside Directors) shall be divided into three classes, designated Class I, Class II and Class III. Each class of Directors shall consist, as nearly as possible, of one-third of the total number of directors constituting the entire Board of Directors. The above-described term of office of the Class I Directors shall expire at the first Annual General Meeting ensuing next after the division into Classes; the above-described term of office of the Class II Directors shall expire at the second Annual General Meeting ensuing after the division into Classes; and the above-described term of office of the Class III Directors shall expire at the third Annual General Meeting ensuing after the division into Classes.

39.3.2. At each Annual General Meeting, election or re-election of Directors following the expiration of the term of office of the Directors of a certain Class, will be for a term of office that expires on the third Annual General Meeting following such election or re-election, such that from 2007 and forward (inclusive), each year the term of office of only one Class of Directors will expire. A Director shall hold office until the Annual General Meeting for the year in which his or her term expires and until his or her successor shall be elected and qualified, subject to Article 41 below.

39.3.3. Upon a change in the number of Directors, in accordance with the provisions of these Articles, any increase or decrease shall be apportioned among the Classes so as to maintain the number of Directors in each Class as nearly equal as possible. The removal of any Director, other than in accordance with Article 41 below, shall only be carried out by a Special Resolution.

39.3.4. Any change to this Article 39.3 shall only be carried out by a resolution of the shareholders of the Company, adopted by the holders of securities representing at least 2/3 (two thirds) of the voting securities of the Company then outstanding.

39.4. Subject to applicable law, any Director whose term of service as Director has expired, shall be eligible for re-election as a Director. Candidates for directorships to be elected by the Annual General Meeting shall be nominated either by the Board of Directors or by a Committee of the Board of Directors authorized by the Board of Directors subject to the provisions of the Companies Law and other applicable law. Any change to this Article 39.4 shall only be carried out by a resolution of the shareholders of the Company, adopted by the holders of securities representing at least 2/3 (two thirds) of the voting securities of the Company then outstanding.

39.5. Any Director shall assume his position as Director on the date of his election to the Board of Directors, unless a later date has been designated in the resolution appointing such Director.

40. Continuing Directors in the Event of Vacancies.

40.1. Any vacancy in the Board of Directors, however occurring (including vacancy existing on the date of adoption of these Articles by reason that less than nine (9) directors are serving on the date of such adoption, but excluding two seats reserved for Outside Directors and any vacancy created with respect to an Outside Director), may be filled by a vote of a simple majority of the Directors then in office, even if less than quorum, provided that the total number of directors shall not exceed nine (9). A Director elected to fill a vacancy shall be elected to hold office until the next Annual General Meeting, and may be removed from the Board of Directors by a vote of simple majority of the Directors then in office before such Annual General Meeting has convened. The Director elected by such next Annual General Meeting with respect the vacancy shall be considered as a member of the class in which such vacancy was created. Any change to this Article 40.1 shall only be carried out by a resolution of the shareholders of the Company, adopted by the holders of securities representing at least 2/3 (two thirds) of the voting securities of the Company then outstanding.

40.2. If the position of one or more Directors is vacated, the continuing Directors shall be entitled to act in every matter so long as their number is not less than the statutory minimum number required at the time. If, at any time, their number decreases below said statutory minimum number, the Directors will not be entitled to act except in an emergency, and they may fill vacant positions on the Board of Directors pursuant to Article 40.1 herein or call a General Meeting of the Company for the purpose of electing Directors to fill any vacancies.

41. Vacation of Office.

41.1. The office of a Director shall be vacated, *ipso facto*, in accordance with the provision of the Companies Law, and upon the occurrence of any of the following: (i) such

Director's death, (ii) such Director becomes legally incompetent, (iii) if such Director is an individual, such Director is declared bankrupt, (iv) if such Director is a corporate entity, upon its winding-up or liquidation, whether voluntary or involuntary; (v) if such Director is prohibited by applicable law or listing requirements from serving as a Director of the Company.

41.2. The office of a Director shall be vacated by his written resignation. Such resignation shall become effective on the date fixed therein, or upon the delivery thereof to the Company, whichever is later.

42. Remuneration of Directors.

Subject to the provisions of applicable law, a Director may be paid remuneration by the Company for his services as a director to the extent that the remuneration shall have been approved in accordance with applicable law.

43. Conflict of Interests.

Subject to the provisions any applicable law, the Company may enter into any contract or otherwise transact any business with any Office Holder in which contract or business such Director has a personal interest, directly or indirectly; and may enter into any contract of otherwise transact any business with any third party in which contract or business an Office Holder has a personal interest, directly or indirectly. The Board of Directors shall be entitled to delegate its approval power under Section 271 of the Companies Law to a Committee of the Board, and the power of such committee shall be regarded as another method of approval within the meaning of Section 271 of the Companies Law.

PROCEEDINGS OF THE BOARD OF DIRECTORS

44. Meetings.

44.1. The Board of Directors may meet and adjourn its meetings according to the Company's needs but at least once in every three (3) months, and otherwise regulate such meetings and proceedings as the Directors think fit. The Board may meet by telephone conference call or other communication equipment so long as each director participating in such call can hear, and be heard by, each other director participating in such call. The directors participating in this manner shall be deemed to be present in person at such meeting and shall be entitled to vote or be counted in a quorum accordingly.

44.2. Notice of meeting of the Board of Directors shall be given to each Director at the last address that the Director provided to the Company, or via facsimile or e-mail message or other means of written or electronic communication. Unless otherwise determined by the Board of Directors, the notice shall be given at least seventy-two (72) hours prior to the time fixed for the meeting and shall specify the place and time where the meeting shall take place, as well as a reasonable account of the agenda to be discussed at such meeting.

44.3. Failure to deliver a notice to a Director in the manner required herein may be waived (in advance or retroactively) by such director and a meeting shall be deemed to have been duly convened notwithstanding such defective notice if such failure or defective is so waived by all Directors entitled to participate at such meeting and to notice was not duly given. The presence of a Director at any such meeting shall be deemed due receipt or prior notice or a waiver of any such notice requirement by such Director.

44.4. The Chairperson of the Board of Directors may convene a meeting of the Board of

Directors at any time he so chooses, and shall convene such a meeting in accordance with the provisions of Section 98 of the Companies Law.

44.5. Anything to the contrary notwithstanding, the Board of Directors may convene without any prior notice, contingent upon the approval thereon of all members of the Board of Directors.

45. Quorum.

45.1. A quorum at a meeting of the Board of Directors shall be constituted by the presence in person, or by conference call or similar communications equipment (by means of which all persons participating in the meeting can hear each other at the same time) of a majority of the Directors then in office who are lawfully entitled to participate in the meeting (as conclusively determined by the Chairperson of the Board of Directors), but shall not be less than two (2).

45.2. If within half an hour (or within such longer time as the chairperson of the meeting may decide) from the time appointed for the meeting, a quorum is not present, the Board of Directors meeting shall stand adjourned to the time and place determined by the chairperson of the meeting, provided that a notice of at least 24 hours is given to the Directors of such adjourned meeting. The requisite quorum at an adjourned meeting of the Board of Directors shall be those Directors who are present at such meeting, but not less than two (2). The only business to be considered at an adjourned meeting of the Board of Directors shall be those matters which might have been lawfully considered at the meeting of the Board of Directors originally called if a requisite quorum had been present.

46. Chairperson of the Board of Directors.

The Board of Directors may from time to time elect one of its members to be the Chairperson of the Board of Directors, remove such Chairperson from office and appoint another in its place. The Chairperson of the Board of Directors shall preside at every meeting of the Board of Directors, but if there is no such Chairperson, or if at any meeting he is not present within fifteen (15) minutes of the time fixed for the meeting, or if he is unwilling to take the chair, the Directors present shall choose one of their number to be the chairperson of such meeting.

47. Validity of Acts Despite Defects.

Subject to the provisions of the Companies Law, all acts done *bona fide* at any meeting of the Board of Directors, or of a Committee of the Board of Directors, or by any person(s) acting as Director(s), shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of the participants in such meetings or any of them or any person(s) acting as aforesaid, or that they or any of them were disqualified, be as valid as if there were no such defect or disqualification.

GENERAL MANAGER

48. Subject to applicable law, the Board of Directors shall appoint one or more persons, whether or not Directors, as General Manager(s) of the Company and may confer upon such person(s), and from time to time modify or revoke, such title(s) (including Managing Director, President, Chief Executive Officer, Director General or any similar or dissimilar title) and such duties and authorities of the Board of Directors as the Board of Directors may deem fit, subject to such limitations and restrictions as the Board of Directors may from time to time prescribe. Subject to applicable law, such appointment(s) may be either for a fixed

term or without any limitation of time subject to applicable law, and the Board of Directors may from time to time (subject to the provisions of the Companies Law and of any contract between any such person and the Company) fix his or their salaries and emoluments, remove or dismiss him or them from office and appoint another or others in his or their place or places.

49. The management and the operation of the Company's affairs and business in accordance with the policies determined by the Board of Directors shall be vested in the General Manager, in addition to all powers and authorities of the General Manager as specified in the Companies Law. The Board of Directors may assume the authority granted to the General Manager, either with respect to a certain issue or for a certain period of time.

MINUTES

50. Minutes.

50.1. Minutes of each General Meeting and of each meeting of the Board of Directors shall be recorded and duly entered in books provided for that purpose. Such minutes shall, in all events, set forth the names of the persons present at the meeting and all resolutions adopted thereat.

50.2. Any minutes as aforesaid, if purporting to be signed (i) by the chairperson of the meeting or by the chairperson of the next succeeding meeting with respect to a General Meeting; and (ii) by the Director who conducted the meeting of the Board of Director, shall constitute *prima facie* evidence of the matters recorded therein.

DISTRIBUTIONS

51. Declaration and Payment of Distributions.

51.1. Subject to the Companies Law, the Board of Directors may from time to time declare, and cause the Company to effect Distributions as may appear to the Board of Directors to be justified by the profits of the Company. Subject to the Companies Law and these Articles, the Board of Directors shall determine the time for payment of such Distributions, and the record date for determining the shareholders entitled thereto.

51.2. The Board of Directors may deduct from any Distribution payable to any shareholder, whether said shareholder is the sole holder of the shares or a joint holder, in respect of a share any and all sums of money then payable by them, whether separately or jointly, to the Company on account of calls or otherwise in respect of shares of the Company and/or on account of any other matter of transaction whatsoever. The Board of Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or toward the satisfaction of the debts, liabilities or engagement in respect of which the lien exists.

52. Amount Payable by Way of Distribution.

52.1. Any Distribution paid by the Company shall be allocated among the shareholders entitled thereto in proportion to the outstanding capital nominal value, on account of their respective holdings of the shares in respect of which such Distribution is being paid, without taking into consideration any premium that was paid with regard to such shares.

52.2. Shares which are fully paid up or which are credited as fully or partially paid within

any period which in respect thereof Distributions are paid shall entitle the holders thereof to a Distribution in proportion of the amount paid up or credited as paid up in respect of the nominal value of such shares and to the date of payment thereof (pro rata temporis).

53. Interest.

No Distribution shall carry interest as against the Company.

54. Unclaimed Distribution.

All unclaimed dividends or other moneys payable in respect of a share may be invested or otherwise made use of by the Board of Directors for the benefit of the Company until claimed. The payment by the Board of Directors of any unclaimed dividend or such other moneys into a separate account shall not constitute the Company a trustee in respect thereof, and any dividend unclaimed after a period of seven (7) years from the date of declaration of such dividend, and any such other moneys unclaimed after a like period from the date the same were payable, shall be forfeited and shall revert to the Company, provided, however, that the Board of Directors may, at its discretion, cause the Company to pay any such dividend or such other moneys, or any part thereof, to a person who would have been entitled thereto had the same not reverted to the Company.

55. Payment in Specie.

A Distribution may be paid, wholly or partly, by the distribution of specific assets of the Company or by distribution of paid up shares, debentures or debenture stock of the Company or of any other companies, or in any one or more of such ways.

56. Capitalization of Profits, Reserves.

Upon the resolution of the Board of Directors, the Company -

56.1. may cause any moneys, investments, or other assets forming part of the undivided profits of the Company, standing to the credit of a reserve fund, or to the credit of a reserve fund for the redemption of capital, or in the hands of the Company and available for dividends, or representing premiums received on the issuance of shares and standing to the credit of the share premium account, to be capitalized and distributed among such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion, on the footing that they become entitled thereto as capital, or may cause any part of such capitalized fund to be applied on behalf of such shareholders in paying up in full, either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly, in payment, in full or in part, of the uncalled liability on any issued shares or debentures or debenture stock; and

56.2. may cause such distribution or payment to be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum.

57. Implementation of Resolutions Concerning Distributions.

For the purpose of giving full effect to any resolution concerning any Distribution, and without derogating from the provisions of Article 7.2 hereof, and subject to applicable law, the Board of Directors may settle any difficulty which may arise in regard to the Distribution as it thinks expedient, and, in particular, may issue fractional shares, and may fix the value for Distribution of any specific assets, and may determine that cash payments shall be made to any shareholders upon the footing of the value so fixed, or that fractions of less value than

the nominal value of one share may be disregarded in order to adjust the rights of all parties, and may vest any such cash, shares, debentures, debenture stock or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalized fund as may seem expedient to the Board of Directors.

OUTSIDE AUDITORS

58. Auditors.

The outside auditor(s) of the Company shall be appointed by resolution of the Company's shareholders at the General Meeting and shall serve until its/their re-election, removal or replacement by subsequent resolution. The authorities, rights and duties of the outside auditor(s) of the Company, shall be regulated by the applicable law, provided, however, that the Board of Directors shall have the power and authority to fix the remuneration of the auditor(s).

BRANCH REGISTERS

59. Branch Registers.

Subject to and in accordance with the provisions of the Companies Law and to all orders and regulations issued thereunder, the Company may cause branch registers to be kept in any place outside Israel as the Board of Directors may think fit, and, subject to all applicable requirements of law, the Board of Directors may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such branch registers.

RIGHTS OF SIGNATURE

60. Rights of Signature.

The Board of Directors shall be entitled to authorize any person or persons (who need not be Directors) to act and sign on behalf of the Company, and the acts and signature of such person(s) on behalf of the Company shall bind the Company insofar as such person(s) acted and signed within the scope of his or their authority.

NOTICES

61. Notices.

61.1. Subject to applicable law, a notice or any other documents which the Company shall deliver and which it is entitled or required to give to a shareholder pursuant to the provisions of these Articles shall be delivered by the Company in any of the following manners as the Company may choose: in person, by mail, by fax or by electronic form. The notice or other document shall be delivered in accordance with the contact details of the respective shareholder as described in the Register of Shareholder or such other contact details as a shareholder may have designated in writing for the receipt of notices.

Any notice shall be deemed to have been served two (2) business days after it has been posted (seven (7) business days if sent internationally), or when actually received by the addressee if sooner. Notice sent by facsimile or electronic or other similar form shall be deemed to have been served twenty four (24) hours after being sent or when actually received by the addressee if sooner. A declaration in writing of person authorized therefore by the Company or an authorized person from the

Company's designated transfer agent stating that a notice was sent to a shareholder shall suffice as evidence of the same for the purposes of this Article. If a notice is, in fact, received by the addressee, then it shall be deemed to have been duly served, when received, notwithstanding it having been defectively addressed or failed in some other respect, to comply with the provisions of this Article 61.

61.2. All notices to be given to the shareholders shall, with respect to any share to which persons are jointly entitled, be given to whichever of such persons is named first in the Register of Shareholders, and any notice so given shall be sufficient notice to the holders of such share.

61.3. Any shareholder whose address is not described in the Register of Shareholders, and who shall not have designated in writing an address for the receipt of notices, shall not be entitled to receive any notice from the Company.

61.4. Notwithstanding anything to the contrary herein, and without limiting the Company's right to serve notice in any other way permitted by applicable law, notice by the Company which is published in one (1) daily newspaper of general circulation in the State of Israel and one (1) daily newspaper of general circulation in the City of New York, if at all, shall be deemed to have been duly given to any shareholder whose address as registered in the Registry of Shareholders is located in the State of Israel. The mailing or publication date and the date of the meeting shall be counted as part of the days comprising any notice period.

61.5. Notwithstanding anything to the contrary contained herein and subject to the provisions of the Companies Law, notice to a Shareholder may be served, as general notice to all Shareholders, in accordance with applicable rules and regulations of any stock exchange on which the Company's shares are listed.

61.6. Subject to applicable law, any Shareholder, Director or any other person entitled to receive notice in accordance with these Articles or law, may waive notice, in advance or retroactively, in a particular case or type of cases or generally, and if so, notice will be deemed as having been duly served, and all proceedings or actions for which the notice was required will be deemed valid.

61.7. The accidental omission to give notice of a meeting to any shareholder or the non-receipt of notice by any shareholder entitled to receive notice shall not invalidate the proceedings at any meeting or any resolution(s) adopted by such a meeting.

61.8. Notwithstanding the foregoing and subject to any applicable law, in cases where it is necessary to give advance notice of a particular number of days or notice which shall remain in effect for a particular period, the day the notice was sent shall be excluded and the scheduled date of the meeting or the last date of the period shall be included in the count.

INSURANCE AND INDEMNITY

62. Indemnity and Insurance.

62.1. Subject to the provisions of the Companies Law, the Company may indemnify an Office Holder in respect of any liability imposed on the Office Holder or incurred by him in respect of any act or omission or alleged act or omission (each, an "**action**") performed by him in his capacity as an Office Holder, in respect of the following:

62.1.1. any financial liability imposed on him or incurred by him in favor of another person by a court judgment, including a compromise judgment or

an arbitrator's award approved by court;

62.1.2. reasonable litigation expenses, including without limitation attorneys' fees and the fees and expenses of investigators, accountants and other experts, expended by the Office Holder or charged to him by court, (i) in a proceeding instituted against the Office Holder by the Company or on its behalf or by another person, or (ii) in any criminal proceeding in which the Office Holder is acquitted, or (iii) in any criminal proceeding for an offense which does not require proof of criminal intent of which the Office Holder convicted; and

62.1.3. reasonable litigation expenses, including without limitation attorneys' fees and the fees and expenses of investigators, accountants and other experts, expended by an Office Holder as a result of an investigation or proceeding instituted against the Office Holder by an authority authorized to conduct such investigation or proceeding, which: (i) is Concluded Without The Filing Of An Indictment (as defined in the Companies Law) against the Office Holder and without the imposition on the an Office Holder of any Financial Obligation In Lieu of Criminal Proceedings (as defined in the Companies Law), or (ii) which is Concluded Without The Filing Of An Indictment against the Office Holder, but with the imposition on the Office Holder of a Financial Obligation In Lieu of Criminal Proceedings in respect of an offense that does not require proof of criminal intent.

The Company may undertake to indemnify an Office Holder as aforesaid, (i) prospectively, provided that a prospective undertaking under Article 62.1.1 is limited to events which in the opinion of the Board of Directors are foreseen based on the Company's activities when the undertaking to indemnify is given, and to an amount or criteria determined by the Board of Directors as reasonable under the circumstances and such undertaking under Article 62.1.1 shall detail the abovementioned events and amount or criteria, and (ii) retroactively.

62.2. Subject to the provisions of the Companies Law, the Company may release, in advance, an Office Holder from liability to the Company for damages which arise from breach of such Office Holder's duty of care to the Company (as such term is defined under the Companies Law) other than with respect to liability arising out of a prohibited Distribution.

62.3. Subject to the provisions of the Companies Law, the Company may enter into a contract for the insurance of all or part of the liability of any Office Holder imposed on the Office Holder in respect of an act or omission or alleged act or omission performed in his capacity as an Office Holder, in respect of each of the following:

62.3.1. A breach of his duty of care to the Company or to another person;

62.3.2. A breach of his duty of loyalty to the Company, provided that the Office Holder acted in good faith and had reasonable cause to assume that such act would not prejudice the interests of the Company; or

62.3.3. A financial liability imposed on the Office Holder in favor of another person.

62.4. The provisions of Articles 62.1 to 62.3 above are not intended, and shall not be interpreted, to restrict the Company in any manner in respect of the procurement of

insurance and/or in respect of indemnification (i) in connection with any person who is not an Office Holder, including, without limitation, any employee, agent, consultant or contractor of the Company who is not an Office Holder, and/or (ii) in connection with any Office Holder to the extent that such insurance and/or indemnification is not specifically prohibited under law; provided that the procurement of any such insurance and/or the provision of any such indemnification shall be approved by the Board of Directors of the Company.

62.5. In accordance with the Companies Law, Articles 62.1 to 62.3 shall not apply to (i) breach of the Office Holder's fiduciary duty, other than with respect to indemnification and insurance as mentioned in Article 62.3.2, (ii) a breach of the Office Holder's duty of care for the Company that was done intentionally or recklessly, other than a breach solely arising out of negligent conduct of the Office Holder; (iii) any act on behalf of the Office Holder that was intended to gain unlawful personal benefit, and (iv) any kind of fine or penalty that the Office Holder was made to pay.

LIQUIDATION

63. Subject to applicable law and to the rights of shares with special rights upon liquidation, in the case of dissolution of the Company, either voluntary or involuntary, the assets of the Company available for distribution among the shareholders shall be distributed to them in proportion to the amount paid or credited as paid on the nominal value of their respective holdings of the shares in respect of which such distribution is made.

Exhibit 4.1

FORM OF SHARE CERTIFICATE

[LOGO]

Number Shares

ALLT CUSIP [l]

See Reverse for Certain Definitions

Allot Communications Ltd.
INCORPORATED UNDER THE LAWS OF THE STATE OF ISRAEL

THIS CERTIFIES that

_____

is the Registered Holder of

FULLY PAID AND NON-ASSESSABLE ORDINARY SHARES OF NIS [•] PAR VALUE EACH

of Allot Communications Ltd. transferable on the books of the Company by the holder hereof in person or by duly authorized attorney only upon surrender of this Certificate properly endorsed or with an appropriate instrument of transfer. This Certificate and the shares represented hereby are issued and shall be held subject to all the provisions of the Memorandum of Association and Articles of Association of the Company and amendments thereto, to all of which the holder by the acceptance hereof assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

IN WITNESS WHEREOF, the Company has caused this Certificate to be issued under the facsimile seal of the Company.

Dated: _____

Allot Communications Ltd.
Corporate Seal ISRAEL

Chief Executive Officer Chairman of the Board

<PAGE>

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -	as tenants in common	UNIF GIFT MIN ACT _____ Custodian _____
TEN ENT -	as tenants by the entireties	(Cust) (Minor)
JT TEN -	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ HEREBY SELLS, ASSIGNS AND TRANSFERS UNTO

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

_____

SHARES REPRESENTED BY THE WITHIN CERTIFICATE, AND SO HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS

_____

_____

_____

ATTORNEY TO TRANSFER THE SAID SHARES ON THE BOOKS OF THE WITHIN-NAMED CORPORATION AND FULL POWER OF SUBSTITUTION IN THE PREMISES.

DATED _____

_____ _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE, WHATSOEVER.

Signature(s) Guaranteed:

_____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION

(BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17 Ad-15.

Exhibit 5.1

ORI ROSEN & CO., Law Offices אורי רוזן ושות', עורכי דין

מרכז עזריאלי 1 (הבנין העגול), תל אביב 67021 טל. 03-607-4700 פקס 03-607-4701
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Ori Kalechman	אורי קלכמן
Galia Arad**	גליה ארד**
Lior Baruch	ליאור ברוך
Donna Rahav	דונה רהב
Anat Igner	ענת איגנר
Daniella Ben-Shalom	דניאלה בן-שלום
Hila Iron	הילה עירון

* Member of Israel & New York Bars
** Also qualified in Switzerland

October 30, 2006

Allot Communications Ltd.
22 Hanagar Street
Industrial Zone B
Hod-Hasharon 45240
Israel

Re: **Registration Statement on Form F-1**

Ladies and Gentlemen:

We have acted as special Israeli counsel for Allot Communications Ltd., an Israeli company (the "**Company**"), in connection with the preparation of a registration statement on Form F-1 (the "**Registration Statement**") pursuant to the United States Securities Act of 1933, as amended (the "**Act**"), filed with the United States Securities and Exchange Commission (the "**SEC**"), on October 30, 2006, as thereafter amended or supplemented, in connection with a proposed underwritten public offering by the Company of (i) 6,500,000 Ordinary Shares, par value NIS 0.10 per share, of the Company (the "**Firm Company Shares**"), and (ii) up to an additional 975,000 Ordinary Shares, par value NIS 0.10 (the "**Additional Company Shares**" and, together with the "**Firm Company Shares**", the "**Shares**"), if the several underwriters of the Offering (the "**Underwriters**") named in Schedule A to the Purchase Agreement to be entered into by and among the Company and the Underwriters elect to exercise an over-allotment option contemplated to be granted to the Underwriters by the Company. This opinion letter is rendered pursuant to Item 8(a) of Form F-1 and Item 601(b)(5) of the Commission's Regulation S-K.

We have examined the originals, or photostatic or certified copies, of such records of the Company, certificates of officers of the Company and of public officials and such other documents as we have deemed relevant and necessary as the basis for the opinion set forth below. With respect to the accuracy of material factual matters relevant to our opinion, we have relied exclusively, without any independent investigation or verification, upon such certificates of officers of the Company and of public officials and statements and information furnished by officers of the Company. In making our examination of documents executed by parties other than the Company, we have assumed that such parties had the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and due execution and delivery by such parties of such documents and the validity and binding effect thereof. In such examination we have assumed the

genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as photostatic or certified copies, and the authenticity of the originals of such copies.

Based upon and subject to the foregoing, we are of the opinion that insofar as Israeli law is concerned:

1. the Company is a corporation duly organized and validly existing under the laws of the State of Israel; and
2. the Shares have been only authorized by the Company, upon issuance and sale by the Company as contemplated in the Registration Statement and any amendments and supplements thereto, upon delivery thereof against payment therefor as described in the Registration Statement and, subject to final action by the board of directors of the Company or a pricing committee of the board of directors approving the precise number and the price of the Shares, will be validly issued, fully paid and non-assessable.

We do not express or purport to express any opinions with respect to laws other than the laws of the State of Israel as the same are in force on the date hereof. Further, this opinion is limited to the matters stated herein and no opinion is implied or may be inferred beyond the matters expressly stated. This opinion letter is effective only as of its date, and we disclaim any obligation to advise of any subsequent change of law or fact.

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our firm appearing under the caption “Legal Matters” in the prospectus forming part of the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Ori Rosen & Co.
Ori Rosen & Co.

Exhibit 10.1

Share Purchase Agreement

This Share Purchase Agreement (this "**Agreement**") is entered into as of August 24, 2004, by and among **Allot Communications Ltd.**, an Israeli company (registered no. 51-239477-6) having its main place of business at 5 Hanagar Street, Neve Ne'eman B Industrial Zone, Hod Hasharon 45800 (the"**Company**"), certain entities comprising the Partech International fund, the names and addresses of which are as set forth on **Exhibit I** attached hereto (collectively "**Partech**") and certain of the Company's shareholders, the names and addresses of which are set forth on Exhibit I attached hereto (the "**Investing Shareholders**"; Partech and the Investing Shareholders, collectively the "**Investors**").

WHEREAS, the Company requires an infusion of funds in order to continue to conduct its business activities; and

WHEREAS, the Investors wish to invest in the Company in consideration of the issuance by the Company of the Company's Series D Preferred Shares, NIS 0.01 par value each, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Interpretation; Definitions

1.1. The Recitals and Exhibits hereto consist an integral part hereof.

1.2. The headings of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

1.3. In this Agreement, unless the context otherwise requires:

1.3.1. "**Corporate Documents**" means the Company's Memorandum of Association and Articles of Association.

1.3.2. "**Companies**" means the Company and the Subsidiaries, on a consolidated basis.

1.3.3. "**Interested Party**" means any "interested party", as such term is defined in the Israeli Securities Law of 1968, or any member of the family or affiliate of such Interested Party, Person controlled by it, Person under common control or Person 7controlling it.

1.3.4. "**IPO**" means an underwritten initial public offering of Ordinary Shares of the Company.

1.3.5. "**Liens**" means all mortgages, liens, pledges, charges, security interests, third party rights or other claims or encumbrances of any kind whatsoever.

1.3.6. "**Ordinary Shares**" means the Ordinary Shares NIS 0.01 par value of the Company.

1.3.7. "**Person**" means an individual, any entity, corporation, partnership, joint venture, trust or non-incorporated organization.

1.3.8. "**Preferred A Shares**" means the Series A Preferred Shares of the Company NIS 0.01 par value.

1.3.9. "**Preferred B Shares**" means the Series B Preferred Shares of the Company NIS 0.01 par value.

1.3.10. "**Preferred C Shares**" means the Series C Preferred Shares of the Company NIS 0.01 par value.

1.3.11. "**Preferred D Shares**" means the Series D Preferred Shares of the Company NIS 0.01 par value.

1.3.12. "**Preferred Shares**" means the Preferred A Shares, the Preferred B Shares, the Preferred C Shares and the Preferred D Shares.

1.3.13. "**RRE**" means the official representative rate of exchange of the US Dollar last published by the Bank of Israel prior to the time of payment or calculation under this Agreement.

1.3.14. "**US Subsidiary**" means Allot Communications, Inc., a corporation duly organized and validly existing under the laws of the State of California.

1.3.15. "**European Subsidiary**" means Allot Communication Europe SARL, a company duly organized and validly existing under the laws of France.

1.3.16. "**Subsidiaries**" means the US Subsidiary and the European Subsidiary.

1.4. In this Agreement all obligations and undertakings of the Investors shall apply and bind each of the Investors severally, and not jointly, and each Investor shall be liable only for its own representations, warranties, undertakings and obligations and shall not be liable for any breach by any other Investor or for any action taken or omitted to be taken by any other Investor in connection with the execution hereof and the transactions and actions contemplated herein.

2. The Transaction

2.1. Sale, Purchase and Conversion of Shares

2.1.1. The Company shall issue and allot to the Investors an aggregate of 7,851,381 Preferred D Shares (the "**Shares**"), to be allocated among them as set forth in **Exhibit 2.1.1,** in consideration of the payment to the Company by each of the Investors of US$1.02256 for each Preferred D Share (the "**Original Price Per Share**"), totaling, for all Investors together, US$8,028,507 (the "**Purchase Price**").

2.1.2. At the Closing (as defined below), the Company shall issue the Shares to the Investors, against payment by the Investors of the Purchase Price.

2.1.3. The Company represents and warrants to the Investors that

immediately following the Closing (as defined below), the Shares shall represent 11.465% of the share capital of the Company, on a Fully Diluted Basis. For the purpose of this Section 2.1.3, "**Fully Diluted Basis**" shall mean all issued and outstanding share capital of the Company, including Preferred A Shares, Preferred B Shares and Preferred C Shares, all securities issuable upon the conversion of any existing convertible securities or loans, the exercise of all outstanding warrants, options, options reserved under the ESOP (as defined below) (whether allocated or unallocated, vested or unvested), and issuance of securities pursuant to any anti-dilution rights of existing shareholders (if any).

3. Closing

3.1. Closing. The transactions contemplated hereby shall take place at a closing (the "**Closing**") to be held at the offices of Danziger, Klagsbald, Rosen & Co., Law Offices, at 7 Menachem Begin Street, Ramat-Gan, at 10:00 a.m. on _____, 2004 (the "**Closing Date**"), or such other date, time and place as the parties shall mutually agree.

3.2. Deliveries and Transactions at Closing. At the Closing, the following transactions shall occur simultaneously (no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered):

3.2.1. The Company shall deliver to the Investors the following documents:

3.2.1.1. Duly executed resolutions of the Company's General Meeting, in the form attached hereto as **Exhibit 3.2.1.1**, approving, among other matters: (i) the modification of the share capital of the Company and the creation of the Preferred D Shares and the performance of the Company's obligations hereunder and pursuant to all of the transactions contemplated hereby; (ii) the replacement of the Articles of Association of the Company with the Amended Articles of Association attached hereto as **Exhibit 3.2.1.1a** (the "**Amended Articles**"); (iii) the amendment to the Company's Memorandum of Association to reflect the Company's registered share capital as set forth in the Amended Articles with duly completed notices of such changes to the Israeli Registrar of Companies in the form attached hereto as **Exhibit 3.2.1.1b**, to be in form and substance acceptable for immediate filing with the Israeli Registrar of Companies; and (iv) the transactions contemplated hereby.

3.2.1.2. Copies of a duly executed resolution of the Board of Directors of the Company in the form set forth in **Exhibit 3.2.1.2** approving among other matters (i) the Company's execution of this Agreement and all transactions contemplated hereby; (ii) the issuance and allotment of the Shares to the Investors against payment by the Investors of the Original Price Per Share for each Share, together with a duly completed notice of the issuance of the Shares in form and substance acceptable for immediate filing with the Israeli Registrar of Companies; (iii) the reservation of a sufficient number of Ordinary Shares to be issued upon the conversion of the Shares; (iv) the authorization of the issuance of such Ordinary Shares upon such conversion; and (v) the Increased Reservation (as defined in Section 7.4 below) under the Company's Employee Stock Option Plan (the "**ESOP**"), such that the total number Ordinary Shares free for allocation under the ESOP at the Closing shall represent 2.5% of the Company's issued and outstanding share capital immediately subsequent to Closing on a fully diluted basis; and (vi) the Signature Rights of the Company as set forth in **Exhibit 3.2.1.2A**.

3.2.1.3. Validly executed Share Certificates pertaining to the Shares in the name of the respective Investors;

3.2.1.4. A written confirmation, in the form of **Exhibit 3.2.1.4** hereto, executed by the CEO of the Company, confirming and certifying that the Company has complied with all its obligations hereunder and all the conditions to Closing to be met by the Company and any of its subsidiaries have been satisfied;

3.2.1.5. An opinion in the form attached hereto as **Exhibit 3.2.1.5**, dated as of the Closing Date, of Danziger, Klagsbald, Rosen & Co., counsel to the Company.

3.2.1.6. a non-competition agreement in the form attached hereto as **Exhibit 3.2.1.6** entered into by the Company and Yigal Jacoby.

3.2.1.7. Copies of all applicable consents and waivers, including but not limited to (i) duly executed waivers in the form attached hereto as **Exhibit 3.2.1.7** executed by all of the shareholders of the Company, pursuant to which each of the shareholders, not exercising preemptive rights

in connection with this Agreement, shall have waived any preemptive rights, rights of first refusal, anti-dilution rights, rights to adjust conversion ratio or similar rights it may have with respect to the transactions contemplated in connection with this Agreement; or (ii) evidence that the pre-emptive rights of the shareholders of the Company have expired.

3.2.1.8. Approvals of the Office of the Chief Scientist of the Ministry of Industry and Trade of the State of Israel, the Investment Center, and any other approvals necessary in connection with the matters referred to in Sections 4.24 and/or 4.25 for the consummation of the transactions contemplated by this Agreement, if any.

3.2.1.9. A copy of the Company's shareholders' register updated as of immediately following the Closing.

3.2.1.10. A copy of the Investors Rights Agreement (as defined below) executed by the Investors, certain shareholders of the Company and the Company, in the form attached hereto as **Exhibit 6**.

3.2.1.11. A duly executed copy of the Management Rights Letter to Partech addressed to each of AXA Growth Capital II L.P.; Double Black Diamond II LLC; Partech International Growth Capital I LLC; Partech International Growth Capital II LLC; Partech International Growth Capital III LLC; and Multinvest LLC, in the forms attached hereto as **Exhibit 3.2.1.11**.

3.2.1.12. A copy of a side letter executed by each of Yigal Jacoby and Michael Shurman, in the form attached hereto as **Exhibit 3.2.1.12.**

3.2.1.13. Certificate of Good Standing of the US Subsidiary from the California Secretary of State dated as soon as close to the Closing Date and in no event earlier than five days prior to the Closing Date.

3.2.2. Upon and against the issuance of the Shares in the name of the Investors, and the registration of all the Shares in the name of the respective Investors in the shareholders' register of the Company, each of the Investors shall pay to the Company its proportional share of the Purchase Price, in US dollars or the amount equivalent in NIS according to the RRE, at the discretion of such Investor, by way of a bank transfer to the Company's account, pursuant to wiring instructions given in writing by the Company prior to Closing, or by a certified

check, or by such other form of payment as is mutually agreed by the Company and such Investor.

3.3. Conditions to Closing by the Investors. The obligations of the Investors at the Closing are subject to the fulfillment at or before the Closing of the following conditions precedent, any one or more of which may be waived in whole or in part by the Investors, which waiver shall be at the sole discretion of the Investors:

3.3.1. Representations and Warranties. The representations and warranties made by the Company in this Agreement shall have been true and correct when made, and shall be true and correct as of the Closing as if made on the date of the Closing.

3.3.2. Covenants. All covenants, agreements, and conditions contained in this Agreement to be performed or complied with by the Company and Persons other than the Investors prior to the Closing, and at the Closing, shall have been performed or complied with prior to or at the Closing.

3.3.3. Consents. etc. The Company shall have secured all permits, consents and authorizations that shall be necessary or required for the Company to consummate this Agreement and all transactions contemplated thereby, and to issue the Shares to the Investors at the Closing, and the Amended Articles shall be ready for immediate filing with the Registrar of Companies promptly following the Closing.

3.3.4. Delivery of Documents. All the documents to be delivered by the Company at the Closing shall be in the form attached hereto, and the Investors shall have received all such counterpart originals or certified or other copies of such documents.

3.3.5. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement, shall have taken place and duly performed and completed.

3.3.6. Absence of Adverse Changes. From the date hereof until the Closing, there shall have been no material adverse change; in the financial, business or other condition of the Company.

3.3.7. No Action. No action, suit, or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any state, municipal, or foreign jurisdiction or before any arbitrator, reference of which is not contained herein, wherein an unfavorable injunction, judgment, order, decree, ruling, or charge that would: (i) prevent consummation of any of the transactions contemplated by this Agreement or by any of the ancillary agreements thereto; (ii) cause any of the transactions contemplated by this Agreement or by any of the ancillary agreements thereto, to be rescinded following consummation; (iii) affect materially and adversely the rights of the Companies to own the Intellectual Property Rights or

other assets or to operate their business.

3.4. Conditions to Closing by the Company. The obligations of the Company are subject to the fulfillment at or before the Closing of the conditions that: (a) all covenants, agreements and conditions contained in this Agreement to be performed, or complied with, by the Investors prior to the Closing shall have been performed or complied with by the Investors prior to or at the Closing, and (b) the representations and warranties made by the Investors in this Agreement shall have been true and correct when made, and shall be true and correct as of the date of the Closing, which conditions may be waived in whole or in part by the Company, and which waiver shall be at the sole discretion of the Company.

4. Representations and Warranties of the Company.

The Company hereby represents and warrants to each of the Investors that, as of the date hereof and as of Closing, the following representations and warranties are true and accurate in all respects with regard to the Companies, and acknowledge that the Investors are entering into this Agreement in reliance thereon (in connection with the representations made herein by the Company, any knowledge possessed by either of the Subsidiaries, shall be deemed to be possessed also by the Company):

4.1. The Company has the full power and authority to execute and deliver this Agreement and the other agreements contemplated hereby or which are ancillary hereto, and to consummate the transactions contemplated hereby and thereby. All corporate action on the part of the Company necessary for the authorization, execution, delivery, and performance of all of the Company's obligations under this Agreement and the other agreements contemplated hereby or which are ancillary hereto, and for the authorization, issuance, and allotment of the Shares being sold under this Agreement, and the Ordinary Shares issuable upon conversion of the Shares has been (or will be) taken prior to the Closing. The Company and each Subsidiary has all franchises, permits, licenses, and any similar authority necessary or required under any law, regulation, rule or ordinance, for the conduct of its business as now being conducted, of which the failure to obtain would have a material adverse effect on the Company or such Subsidiary, and, none of the Company or any of the Subsidiaries is in material default under any of the same.

The Company believes that it or each such Subsidiary can obtain, without undue burden or expense, any similar authority for the conduct of its business as presently planned to be conducted.

4.2. The Company is a company duly incorporated and validly existing under the laws of the State of Israel, the US Subsidiary is a corporation duly organized and validly existing under the laws of the State of California, and the European Subsidiary is a company duly organized and validly existing under the laws of France. Each of the Companies has the power and authority to own, lease and operate its properties and to carry on its business as now being conducted and as presently planned to be conducted. Neither the nature of the Companies' business as now conducted nor their ownership or leasing of property, require that the Companies be qualified to do

business or be in good standing in any jurisdiction other than jurisdictions in which they are qualified to do business or in good standing, except in such jurisdictions where the failure to be so qualified or be in good standing does not have a material adverse effect on the Company or its business. Attached hereto in **Exhibit 4.2** are true and accurate copies of the Company's Incorporation Certificate, Memorandum of Association and current Articles of Association as in effect prior to the execution hereof, and the US Subsidiary's and European Subsidiary's incorporation documents. None of the Companies has taken any action or failed to take any action, which action or failure would preclude or prevent any of the Companies from conducting its business in the manner heretofore conducted and/or as presently planned to be conducted.

4.3. The authorized capital stock of the Company immediately prior to the Closing shall consist of (A) 58,659,200 Ordinary Shares, par value NIS 0.01 per share, of which (i) 9,560,420 shares are issued and outstanding, (ii) 8,473,039 shares are reserved for issuance upon the exercise of employee, director and consultant options and the Tmurah warrant granted under the ESOP or under the warrant granted to Tmurah, all of which are reserved for exercise of options (and the Tmurah warrant) that have been granted and are outstanding; (B) 2,687,600 Ordinary A Shares, all of which are issued and outstanding; (C) 38,653,200 Preferred Shares, par value NIS 0.01 per share, of which (i) 7,765,580 have been designated Series A Preferred Shares, all of which are issued and outstanding, (ii) an aggregate of 29,989,420 have been designated Series B Preferred Shares, of which 27,062,220 shares are issued and outstanding, and 2,306,739 are reserved for issuance upon exercise of options granted by the Company; and (iii) 898,200 have been designated Series C Preferred Shares all of which are issued and outstanding. The authorized capital stock of the Company at the Closing shall consist of (A) 69,807,819 Ordinary Shares, par value NIS 0.01 per share, of which (i) 9,560,420 shares shall be issued and outstanding, (ii) 10,185,132 shares are reserved for issuance upon the exercise of employee, director and consultant options and the Tmurah warrant granted under the ESOP or under the warrant granted to Tmurah, of which 8,473,039 Ordinary Shares are reserved for exercise of options (and the Tmurah warrant) that have been granted and are outstanding; (B) 2,687,600 Ordinary A Shares, all of which are issued and outstanding; (C) 46,504,581 Preferred Shares, par value NIS 0.01 per share, of which (i) 7,765,580 have been designated Series A Preferred Shares, all of which shall be issued and outstanding, (ii) an aggregate of 29,989,420 have been designated Series B Preferred Shares, of which 27,062,220 shares shall be issued and outstanding, and 2,306,739 shall be reserved for issuance upon exercise of options granted by the Company; (iii) 898,200 have been designated Series C Preferred Shares all of which shall be issued and outstanding; and (iv) an aggregate of 7,851,381 have been designated Series D Preferred Shares, all of which shall be issued and outstanding at the Closing**.** All of the outstanding share capital of the Company has been duly

authorized, and is validly issued, fully paid and nonassessable. Neither the Company nor any one acting on its behalf has offered securities of the Company for issuance or sale to, or solicited any offer to acquire any of the same from, anyone so as to make issuance and sale of the Shares not exempt from the registration requirements of Section 5 of the 1933 U.S. Securities Act or the Israeli Securities Law, 1968. None of the outstanding shares of the Company have been offered or sold in such a manner as to make the issuance and sale of such shares not exempt from such registration requirements, and all such shares have been offered and sold in compliance with all applicable securities laws. Except as set forth in **Exhibit 4.3**, there are no other share capital, convertible securities, outstanding warrants, options or other rights or agreements to subscribe for, or to purchase, any shares or other securities of the Company, nor are there outstanding any warrants, options, convertible instruments, or any other rights, agreements, undertakings, or promises or commitments, written or oral, to sell or acquire shares from the Company. The Shares, at the time the Company has to issue and allot same in accordance with this Agreement, are duly authorized, validly issued, and free of preemptive or similar rights, and upon payment therefor fully paid and non-assessable. The Shares when issued and allotted will have the rights, preferences and privileges set forth in the Corporate Documents of the Company, as amended hereunder, and such Shares upon issuance thereof and payment therefor will be free and clear of any Liens, and duly registered in the name of each Investor in the Company's Shareholders register. The Ordinary Shares issuable upon conversion of the Shares have been duly authorized and reserved for issuance by all necessary corporate action and, when issued and allotted will be duly and validly issued, fully paid, non-assessable, and free of any preemptive rights or anti dilution rights, will have the rights, preferences, privileges and restrictions set forth in the Corporation Documents, and will be issued free and clear of any Liens and duly registered in the name of each of the Investors in the Company's register of shareholders.

4.4. Except as set forth in **Exhibit 4.4**, the Company is not under any obligation to register for trading on any securities exchange any of its currently outstanding securities or any of its securities which may hereafter be issued.

4.5. The entire issued share capital of, and all of the rights pertaining to, the US Subsidiary and of the European Subsidiary are held of record and beneficially by the Company free and clear of Liens, options to purchase, proxies, voting trust or other voting agreements, and has been duly authorized, validly issued, fully paid and non-assessable and free of any preemptive rights. No Person has any rights to receive and/or purchase any securities and/or any other rights in and/or in connection with the Subsidiaries and/or any of them. Except for the US Subsidiary and the European Subsidiary, the Company has no subsidiaries and does not, directly or indirectly, own any interest in any corporation, partnership, joint venture or other business association. There are no other share capital, preemptive rights,

convertible securities, outstanding warrants, options or other rights to subscribe for, purchase or acquire from any Subsidiary or from the Company, any share capital of such Subsidiary and there are not any contracts or binding commitments providing for the issuance of, or the granting of rights to acquire, any share capital of any Subsidiary.

4.6. The directors of each of the Companies are listed in **Exhibit 4.6** and have been duly and lawfully appointed to such position. Except as set forth in **Exhibit 4.6**, none of the Companies is a party to any agreement, obligation or commitment with respect to (i) the election of any individual or individuals to the Board of Directors of the Company, the Board of Directors of the US Subsidiary or the Board of Directors of the European Subsidiary; (ii) any voting agreement or other arrangement among the Company's shareholders, among the US Subsidiary's shareholders or among the European Subsidiary's shareholders, or (iii) any compensation to be paid to any of the Companies' directors or officers. All agreements, commitments and understandings, whether written or oral, with respect to any compensation to be provided to any of the Company's directors or officers as set forth in **Exhibit 4.6.**

4.7. Since December 31, 2003, there has been no declaration or payment by the Company of dividends, or any distribution by the Company of any assets of any kind to any of its shareholders in redemption of or as the purchase price for any of the Company's securities.

4.8. The Company has furnished the Investors audited, consolidated, United States Dollar-denominated financial statements of the Company for the period ended December 31, 2003, (a true and complete copy of which is attached hereto in **Exhibit 4.8**), and the management prepared, unaudited and unreviewed, consolidated, U.S. Dollar-denominated balance sheet, profit and loss and cash flow statements for the period ended March 31, 2004 (a true and complete copy of which is attached hereto as **Exhibit 4.8A**) (collectively, the "**Financial Statements**"). The Financial Statements, are true and accurate in all material respects, are in accordance with the books and records of the Company and fairly reflect the financial condition, transactions in and dispositions of the assets of, the results of operations of, and the cash flows of the Companies for the periods stated therein. The Financial Statements were prepared in accordance with U.S. generally accepted accounting principles ("**GAAP**") applied on a consistent basis.

4.9. Except as set forth in **Exhibit 4.9** or as set forth in the Financial Statements, since December 31, 2003, the Companies have conducted each of their businesses in the ordinary course consistent with past practice, and there has not been: (i) any event that has had or may be expected to have a material adverse effect on the business, assets, prospects, condition or the results of operations and financial condition of the Companies (collectively, the "**Condition of the Companies**") or that would hereafter give rise to any material debt or liability of the Companies or any claim, demand or suit against the Companies or against their shareholders as shareholders of the

Companies; (ii) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of the Companies; (iii) any damage, destruction or other casualty or loss (whether or not covered by insurance) affecting or which may affect the Condition of the Companies; (iv) any change in any method of accounting or accounting practice by the Companies; (v) any transaction, including any change of terms of an existing transaction, between the Companies and any Interested Party; (vi) any waiver by the Companies of any material right, or of a material debt, owed to it; (vii) any material change or amendment to material agreement or arrangement by which the Companies or any of their assets are bound; (viii) any sale, transfer or lease of or mortgage or pledge or imposition of lien on any of the Companies' assets; (ix) any agreement or arrangement made by the Companies to do any of the foregoing; (x) any loans made by the Company or any Subsidiary to its employees, officers, or directors; (xi) any change in any compensation arrangement or agreement with any key employee of the Companies; (xii) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company or any Subsidiary, except in the ordinary course of business and that is not, individually or in the aggregate, materially adverse to the Condition of the Companies; or (xiii) any other event, series of events in the aggregate, or condition of any character that would adversely affect in a material way the Condition of the Companies.

4.10. Except as fully reflected, disclosed or reserved for in the Financial Statements none of the Companies has any material indebtedness or liability, whether absolute, accrued, fixed, contingent or otherwise, other than as incurred in the ordinary course of business of the Companies.

4.11. Except as set forth in the Financial Statements and as specifically stated in **Exhibit 4.11** attached hereto, none of the Companies is a guarantor of any debt or obligation of another, nor have the Companies given any indemnification, loan, security or otherwise agreed to become directly or contingently liable for any obligation of any Person, and no Person has given any guarantee of or security for any obligation of the Companies.

4.12. The Companies have timely filed all tax returns and reports required by applicable laws. All tax returns and reports of the Companies are true and correct in all material respects and the Companies have paid all taxes and other assessments due. No deficiency assessment or proposed adjustment of income or payroll taxes of the Company or the Subsidiaries is pending and the Company has no knowledge of any proposed liability for any tax to be imposed. The Companies have not filed with any tax authority any specific elections under applicable tax laws or regulations (other than elections that related solely to methods of accounting, depreciation or amortization) that would have an affect on the Condition of the Companies.

4.13. The real and personal property of the Companies is as set forth in the Financial Statements. Except as set forth in **Exhibit 4.13**, the

Companies hold all of their property free and clear of all Liens. Each of the Companies, as applicable, has good and marketable title to all of its assets, and such assets are sufficient for the conduct of the Company's or the Subsidiaries' business as currently conducted, and as presently planned to be conducted. None of the Companies is in material default or in breach of their leases or licenses, and the Companies, holds a valid leasehold or licensed interest in the property they lease or license. None of the shareholders of the Company, the US Subsidiary or the European Subsidiary owns, holds or possesses, in his individual or any other capacities, any property, whether tangible or intangible, which is material, individually or in the aggregate, to the financial condition, operations or business of the Companies.

4.14. The minute books of each of the Companies which have been provided or made available to the Investors contain accurate and complete copies of the minutes of every meeting of the Companies' shareholders and the boards of directors (and any committee thereof). No resolutions have been passed, enacted, consented to or adopted by the directors (or any committee thereof) or shareholders of the Companies, except for those contained in such minute books.

4.15. Intellectual Property

4.15.1. **Exhibit 4.15.1A** sets forth all (i) patents, trademarks, service marks, copyrights and mask works owned by the Company and each of the Subsidiaries, or licensed to the Company, the US Subsidiary or the European Subsidiary and (ii) all pending patent or trade mark applications or applications for registration which the Company has made with respect to any of its intellectual property; (iii) each trade name or unregistered trademark used by the Company; and (iv) license, agreement or other permission which the Company has granted to, or received from any third party with respect to any of its intellectual property (all of the above in this Section 4.15.1, together with all technology, know how and trade secrets owned by any of the Companies, or licensed by any of the Companies shall be referred to collectively, as the "**Intellectual Property Rights**"). No other material intellectual property, other than the Intellectual Property Rights and other than "off-the-shelf" products used in the operation of the Companies' business is necessary for the Company, the US Subsidiary or the European Subsidiary, to enable them to conduct their business as currently conducted. The only open source software that is used by the Companies is listed in **Exhibit 4.15.1B** hereto and the terms of the licenses thereof ware made available to Partech's counsel ("**License Terms**"). Notwithstanding anything to the contrary in this Agreement, the Companies are not in compliance with all of the License Terms (those License Terms with which the Companies are not in compliance, the "**Noncompliant License Terms**"), and the Companies' noncompliance with the Noncompliant License

Terms does not and, to the Companies' best knowledge, will not, have a material adverse effect on the Condition of the Companies including the Companies' Intellectual Property Rights. To the Companies' best knowledge, the compliance by the Companies with all of the License Terms shall not have a material adverse effect on the Condition of the Companies, including the Companies' Intellectual Property Rights. The Board of Directors shall establish a committee of the Board (which will include the director designated by Partech) (the "**Committee**") in order to determine how the Companies should act with regard to the License Terms. The Committee shall convene no later than 1 month following the Closing or such later period as approved by the Committee (with the approval of the director designated by Partech), and will submit its conclusions within 3 months following the Closing or such later period as approved by the Committee (with the approval of the director designated by Partech).

4.15.2. Except as explicitly and specifically set forth in **Exhibit 4.15.2**, (i) no Intellectual Property Right is subject to any stipulation or agreement, whether of the Company, the US Subsidiary or the European Subsidiary, and to the Companies' best knowledge, nothing which is part of the Intellectual Property Rights is subject to any law or outstanding order, or agreement, materially restricting the use or licensing thereof by the Companies; (ii) the Company, the US Subsidiary or the European Subsidiary, possess all right, title, and interest in and to the Intellectual Property Rights and the Company owns such rights with respect to the Intellectual Property, all free and clear of any lien, pledge, encumbrance, security interest, or other restriction; (iii) to the Company's knowledge, no Person, other than the Company, the US Subsidiary or the European Subsidiary, has any conflicting ownership right, title, interest, claim in, or lien on, any of the Intellectual Property Rights; (iv) any and all of the Intellectual Property Rights of any kind that has been developed by the shareholders of the Company and/or by former shareholders of the Company and/or by any related parties thereto and/or by any employees or former employees of the Company and/or by any related parties thereto, has been assigned to the Company, the US Subsidiary or the European Subsidiary; (v) none of the Companies, is aware of any third party that is infringing or violating any of the Intellectual Property Rights (vi) to the best knowledge of the Company, the Intellectual Property Rights are not subject to any outstanding injunction, judgment, order, decree, ruling, or charge that applies to the Companies in the jurisdictions in which it is registered and conducts business; (vii) to the best knowledge of the Company, no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, is threatened, which challenges the legality, validity, enforceability, use, or ownership of the Intellectual

Property in the jurisdictions in which it is registered and conducts business; (viii) none of the Companies has granted, and there are not outstanding, any options, licenses or agreements of any kind relating to any Intellectual Property Rights, nor is the Company, the US Subsidiary or the European Subsidiary bound by, or a party to, any option, license or agreement of any kind (whether exclusive or non-exclusive) with respect to any of the Intellectual Property Rights, in each case other than licenses granted and products sold in the ordinary course of business of the Companies pursuant to the Companies' standard agreements, copies of which have been provided or made available to Partech's counsel, or has the Company entered into any covenant not to compete in any market, field or application, or geographical area or with any third party; (ix) except as set forth in **Exhibit 4.15.2**, none of the Companies is obligated to pay any royalties, fees or otherwise to third parties with respect to the marketing, sale, distribution, manufacture, license or use of any Intellectual Property Rights or any other property or rights.

4.15.3. None of the Companies has, to the best of its knowledge, violated or infringed or is currently violating or infringing, and none of the Companies has received any communication alleging that any of the Companies (or any of their employees or consultants or former employees and consultants) has violated or infringed or, by conducting its business as currently conducted, violate or infringe, any patents, trademarks, service marks, trade names, trade secrets, copyrights or other proprietary rights of any other Person.

4.15.4. None of the Companies is aware that any current employee, contractor or consultant of the Companies is obligated under any agreement (including licenses, covenants or commitments of any nature) or subject to any judgment, decree or order of any court or of an administrative agency, or any other restriction, that would interfere with the use of his or her best efforts to carry out his or her duties for the Companies, or to promote the best interests of the Companies, or that would conflict with the Companies' business as presently conducted.

4.15.5. To the best of the Companies knowledge, the carrying on of the Companies' business by the Companies' employees will not, and by contractors and consultants of the Companies is not reasonably expected to, and the conduct of the Companies' business as presently conducted will not, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract or agreement under which any of such employees, contractors or consultants of the Companies is now obligated.

4.15.6. At no time during the conception of or reduction of any of the Intellectual Property Rights to practice was any developer, inventor or other contributor to such Intellectual Property

Rights operating under any grants from any governmental entity or agency, performing research sponsored by any governmental entity or agency or private source, or subject to any employment agreement, or invention assignment or nondisclosure agreement, or other obligation with any third party that could adversely affect the Companies' rights in such Intellectual Property Rights.

4.15.7. Each of the Companies has taken security measures to protect the confidentiality and value of all the Intellectual Property Rights, which measures are reasonable and customary in the industry in which the Companies operate.

4.15.8. Except as set forth on **Exhibit 4.15.8**, it is not, and, to the Company's best knowledge, will not become, necessary to utilize any inventions of any of the Companies' employees made prior to their employment by the Companies other than those that have been assigned to the Companies pursuant to the Proprietary Information and Non-Competition Agreement signed by all such employees, a copy of which agreements have been made available to Partech's counsel, and which are substantially in the form attached hereto as **Exhibit 4.15.8A**.

4.15.9. Each employee, officer and consultant and each former employee, officer and consultant of the Companies and/or any Person, who contributed to the Intellectual Property Rights of the Company which has been developed, or is currently being developed, executed a Non-disclosure and Assignment of Invention Agreements sufficient to vest in the Company good and exclusive title to such Intellectual Property Rights as well as to the work product or result of endeavors of any of the above, free of any rights or royalty or other obligations. The form of such agreements has been made available to Partech's counsel, and such agreements are substantially in the form attached hereto as **Exhibit 4.15.9**, and to the Company's best knowledge, none of the Companies' employees, officers or consultants, or former employees, officers or consultants, are in violation thereof.

4.16. A true and complete list of all material agreements and contracts of at least US$ 50,000 and all distribution, reseller and OEM agreements to which any of the Companies are a party, or by which their property is bound and the Companies bonus, incentive or profit sharing plans, are attached in **Exhibit 4.16** hereto. Subject to all applicable laws, all such agreements and contracts, are valid, in full force and effect and binding upon the Companies. None of the Companies nor, to the best of its knowledge, any other party thereto, is in breach thereof. True and correct copies of all such contracts, or complete and accurate summaries and/or forms thereof have been has been made available to Partech's counsel.

4.17. Except as set forth in **Exhibit 4.17** attached hereto:

4.17.1. none of the directors, officers or shareholders of the Company:

(i)has been involved in any business arrangement or relationship with the Company, which is material to the Company or its business; (ii) has any cause of action or other claim whatsoever against or owes any amount to, or is owed any amount by, the Company; (iii) has lent or advanced any money to, or borrowed any money from, or guaranteed or otherwise become liable for, any indebtedness or other obligations of the Company; (iv) is a party to any contract, lease, agreement, arrangement or commitment with the Company that is material to the Company in its business; or (v) received from or furnished to the Company any goods or services (with or without consideration), material to the Company in the conduct of its business, since its incorporation.

4.17.2. There are no transactions or presently planned transactions between the Company, the US Subsidiary or the European Subsidiary and any directors, officers or shareholders of the Company.

4.17.3. No employee, shareholder, officer or director of the Company, the US Subsidiary or the European Subsidiary is indebted to the Company, nor is the Company, the US Subsidiary or the European Subsidiary indebted (or committed to make loans or extend or guarantee credit) to any of them.

4.18. All of the Companies' senior employees are as listed in **Exhibit 4.18**, and a complete and accurate summary of their material terms of employment, are as listed in a table to be provided to the Investors on the date of Closing. True and correct copies of such senior employees' employment agreements (including but not limited to employment, confidentiality and non-competition agreements) have been delivered to or made available to the Partech's counsel. Each of the Companies is, to the best of its knowledge, in compliance in all material respects with all applicable laws, policies, procedures and agreements relating to employment, terms and conditions of employment and to the proper withholding and remission to the proper tax authorities of all sums required to be withheld from employees or persons deemed to be employees under applicable tax laws respecting such withholding, and in any event any noncompliance (whether known or not) is not expected to have a material adverse effect on the Company, the US Subsidiary or the European Subsidiary. Each of the Companies has paid in full to all of its respective employees, wages, salaries, commissions, bonuses, benefits and other compensation due and payable to such employees on or prior to the date hereof. The Company is not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union except for those provisions of general agreements between the Histadrut and any Employers' Union or Organization which are applicable to all the employees in Israel by Extension Order, and except for the Company's obligations towards

the Industrial Employers Organization, in lieu of membership fees, as set forth in **Exhibit 4.18A**. No labor union has requested or has sought to represent any of the employees, representatives or agents of the Companies. The Companies' relations with their respective employees are good and, to the Companies' knowledge, no such employee has materially violated any term of his or her employment agreement. To the Company's knowledge, neither the employment by the Companies of any of their respective employees, nor the engagement by them of any of their respective consultants, constitutes a breach of any of such persons' obligations to third parties, including non-competition or confidentiality obligations.

4.19. The Company holds insurance policies required for, and reasonably covering the risks customary and generally applicable to the conduct of its business as presently conducted and as presently planned to be conducted. **Exhibit 4.19** contains a list of all insurance policies issued for or to the benefit of the Company, the US Subsidiary and the European Subsidiary. There is no claim by the Company, the US Subsidiary or the European Subsidiary pending under any of such policies. All premiums payable under all such policies have been paid and the Company, the US Subsidiary and the European Subsidiary are otherwise in full compliance with the material terms and conditions of all such policies. Such policies are in full force and effect. None of the Companies has taken any action, or to the best of the Company's knowledge omitted to take any action, which would render any such insurance policy void or voidable or which could result in a material increase in the premium for any such insurance policy.

4.20. The Companies, to the best of their knowledge, have all permits, licenses and any similar authority necessary for the conduct of their business or ownership of property as currently conducted, and in any event the absence of any such permits, licenses and any similar authority (whether known or not) is not expected to have a material adverse effect on any of the Companies. The Companies are in full compliance with all of the terms and requirements of each such permits, licenses etc., and no event has occurred or circumstance exists that may (with or without notice or lapse of time) constitute or result directly or indirectly in a material violation of or a material failure to comply with any term or requirement of any such permit or license, or result directly or indirectly in the revocation, withdrawal, suspension, cancellation, or termination of, or any modification to, any such permit or license.

4.21. None of the Companies, to the best of their knowledge, is in material violation of any applicable law, regulation, order, decree or judgment of any court or any governmental body applicable to them, and in any event any material violation (whether known or not) is not expected to have a material adverse effect on the Condition of the Companies. The Company is not in default under its Corporate Documents and neither of the Subsidiaries is in default under its incorporation documents. None of the Companies is in material default under any

agreement, instrument or document to which it is a party or by which it or any of its property is bound or affected.

4.22. Except as set forth in **Exhibit 4.22**, no action, proceeding or governmental inquiry or investigation is pending or threatened, to the best of the Company's and the Subsidiaries' knowledge, against the Company, the US Subsidiary, the European Subsidiary or any of their respective officers, directors or employees (in their capacity as such), or against the Companies' properties, before any court, arbitration board or tribunal or administrative or other governmental agency, nor is the Company, the US Subsidiary or the European Subsidiary aware of any fact which would result in any such proceedings. None of the Companies is a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or governmental agency or instrumentality in any jurisdiction in which the Companies are registered or in which any of the Companies operates. There is no action, suit, proceeding or investigation initiated by the Companies currently pending or that the Companies intend to initiate.

4.23. No agent or broker or any Person acting in a similar capacity on behalf of or under the authority of the Company, the US Subsidiary or the European Subsidiary is or will be entitled to any broker's or finder's fee or any other similar commission or fee in connection with the transactions contemplated hereby.

4.24. Except as set forth in **Exhibit 4.24**, no consents, approvals, authorizations or permits are required in connection with the consummation by the Company of the transactions contemplated by this Agreement.

4.25. The Company has applied for and received funding from the Office of the Chief Scientist of the Ministry of Industry and Trade ("**OCS**"). The Company has also received an approval from the Investment Center of the Ministry of Industry and Trade ("**Investment Center**"), for its investment plan. The Company has complied (excluding non-compliances which are immaterial) and will continue to comply with the terms and provisions of such programs and approval. The Company is not in breach of the material terms and conditions of such approvals and undertakings, the Company is not aware of any claim asserting that it does not comply with the material terms of such approvals and undertakings and has not received any claim or demand asserting to the same.

4.26. Other than as set forth in Section 4.25 above, the ability of the Companies to conduct their business and acquire all necessary licenses, permits and authorizations for that purpose (including, but not limited to, export permits), is not, to the best of their knowledge, encumbered or restricted in any material way by any Israeli governmental body, agency or authority (a "**Governmental Body**") and in any event any such encumbrance or restriction (whether known or not) is not expected to have a material adverse effect on the Companies. Without limiting the generality of the foregoing, to the best knowledge of the Company, there is no claim and there is no basis for any claim by any Governmental Body against the Company

with respect to its export of its technology, and none of its technology is currently reasonably expected to be classified as restricted technology by any Governmental Body.

4.27. Neither the execution and delivery of this Agreement and the performance of the terms hereof nor the consummation of the transactions contemplated hereby will conflict with, or result in a violation of, or constitute a default under the Corporate Documents of the Companies, or any agreement or other instrument to which the Companies are a party or by which any of them is bound, or to which their property is subject, nor will the performance by the Company of its obligations hereunder be reasonably expected to violate any law, consent, permit, rule, regulation or order of any court, or any governmental agency or body having jurisdiction over the Companies or any of their property. Such execution, delivery and compliance will not give to others any rights, including rights of termination, cancellation or acceleration, in or with respect to any agreement or commitment referred to in this Section, or to any of the properties of the Companies.

4.28. This Agreement has been duly and validly authorized, executed and delivered by the Company, constitutes the valid and binding obligation of the Company, and subject to all applicable laws — it is enforceable against the Company in accordance with its terms.

4.29. Neither of the Company or anyone acting on its behalf has offered or will offer securities of the Company or any part thereof or any similar securities for issuance or sale to, or solicit any offer to acquire any of the same from, anyone so as to make issuance and sale of the Shares hereunder not exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended or the prospectus requirements of the Israeli Securities Law, 1968. None of the shares of the Company's issued and outstanding share capital has been offered or sold in such a manner as to make the issuance and sale of such shares not exempt from such registration and prospectus requirements.

4.30. The Company has made all information the Investors have requested available to the Investors. Neither this Agreement nor any agreement or document made or delivered by the Company in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.

4.31. The Company has made all information the Investors have requested available to the Investors. Neither this Agreement nor any agreement or document made or delivered by the Company in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading. To the best of the Company's knowledge, there is no material fact or information relating to the Conditions of the Companies that has not been disclosed to the Investors by the Company.

5. Representations and Warranties of the Investors

Each of the Investors, with respect to itself, hereby represents and warrants to the other parties hereto as follows:

5.1. It has the full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby, and the execution and delivery of this Agreement have been authorized by all necessary corporate action. This Agreement constitutes the valid and binding obligation of it, and subject to all applicable laws — it is enforceable against it in accordance with its respective terms.

5.2. It and each of its subsidiaries is duly organized, validly existing and in good standing under the laws of the country of its organization or incorporation.

5.3. Neither the execution and delivery of this Agreement nor performance by it of the terms hereof, will conflict with, or result in a breach or violation of, any of the terms, conditions and provisions of: (i) any of its corporate documents, (ii) any judgment, order, injunction, decree, or ruling of any court or governmental authority, domestic or foreign, to which it is subject, (iii) any agreement, contract, lease, license or commitment to which it is party or to which it is subject, or (iv) applicable laws. Such execution, delivery and performance will not require the consent or approval of any Person, which consent or approval has not heretofore been obtained or which will be obtained by the Closing.

5.4. Without derogating from the representations and warranties made by the Companies herein, and the right of the Investors to rely thereon, it represents that based on the information provided by the Companies, it has been furnished with all information it has requested and/or all such information has been made available to it, and that it has been afforded the opportunity to ask questions of officers or other representatives of the Companies concerning the business of the Companies. For the avoidance of doubt, the parties acknowledge that the inclusion of any reference to any of the agreements and/or transactions and/or information and/or materials in any of the exhibits to the Agreement (the "**Disclosed Matters**") shall not constitute any exception to the representations and/or warranties made by the Company in the Agreement unless, with regard to any particular exhibit, this Agreement states explicitly that the contents of such exhibit constitute an exception to a specific warranty and/or representation of the Company. It understands that making the Investment and the purchase of the Shares involves substantial risk. It has experience as an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risks of such investment in the Shares and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Shares and protecting its own interests in connection with this investment. The Investors are experienced investors and have reviewed and inspected all of the data and information provided to it

by the Company in connection with this Agreement and has the requisite knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of such an investment, and of investing, in the Company. The Investors can bear the risk of its investment hereunder and a complete loss thereof. The Investors are "accredited investors" within the meaning of Rule 501 of Regulation D promulgated under the U.S. Securities Act of 1933, as amended.

5.5. It is purchasing the Shares for investment purposes only. The Investors understand that the Shares to be purchased hereby, have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Investor's representations as expressed herein.

6. Investors Rights Agreement

At the Closing, the Company, the Investors and certain shareholders of the Company shall enter into and execute the Investors Rights Agreement, in the form attached hereto as **Exhibit 6** (the "**Investors Rights Agreement**").

7. Affirmative Covenants

7.1. Use of Proceeds. The proceeds of the Investment shall be used by the Company for operational and capital expenditure only, in accordance with the Company's cash flow and budget which (i) have been presented in detail to and approved by the Investors prior to the date hereof; and (ii) are subject to future changes as may be determined by the Board of Directors of the Company.

7.2. Proprietary and Non-Competition Agreements. The Company will not employ, or continue to employ, any person who will have access to confidential information with respect to the Company and its operations unless such person has executed and delivered a Proprietary Information Agreement, and will not employ, or continue to employ, any person who is contributing or will contribute to the Intellectual Property of the Company unless such person has executed and delivered a Proprietary Information and Inventions Assignment Agreement to the satisfaction (as to substance and form) of the Company's Board of Directors. The inclusion of a non competition undertaking with respect to any employee hired by the Company at any time after the Closing shall be determined by the Board of Directors.

7.3. No Publicity. Each of the parties hereto and any person acting on their behalf shall not issue any public statement or press release concerning this transaction without the prior written approval by the Majority Investors (as defined in Section 10.4 herein) of the substance and form of any such statement or release. Notwithstanding the foregoing and without derogating from the provisions of Section 8 below, the Company and the Investors hereby acknowledge that Tamir Fishman Venture Capital II Ltd. is a public traded company, and as such, has reporting requirements under Israeli laws

associated therewith, and thus the parties hereto agree to the publishing by Tamir Fishman Venture Capital II Ltd. of a report regarding this transaction, as required pursuant to such laws.

7.4. Reports, Notices, Stamp Duty. Without derogating from any provisions of this Agreement: (i) the Company will duly and timely file all reports and notices required under any applicable law, regulation or instrument to which the Company is party, in respect of consummation of the transactions contemplated hereunder, and (ii) the Company shall fully bear and duly and timely pay any stamp duty due under Israeli law on the issuance of the Shares (including the issuance of any Company securities into which the Shares are convertible).

7.5. ESOP. The Company shall increase the reservation of Ordinary Shares under the ESOP, by 1,712,093 Ordinary Shares (the "**Increased Reservation**"), such that the total number of Ordinary Shares free for future allocation under the ESOP at the Closing shall be 1,712,093 Ordinary Shares which shall represent 2.5% of the Company's issued and outstanding share capital immediately subsequent to the Closing calculated on a Fully Diluted Basis. The Company undertakes that all options and/or securities issued pursuant to the ESOP subsequent to the Closing shall be subject to a vesting period of at least 4 years from the date of grant or as otherwise determined by the Board of Directors of the Company.

7.6. Directors and Officers Insurance. The Company shall maintain in full force and effect Directors and Officers Insurance policy, covering the directors of the Company (including the director to be appointed by Partech) in the scope and amount acceptable to the Majority Investors.

7.7. Key Employees. The Company shall use its best efforts to appoint a Qualified CEO for the Company promptly following the Closing. Yigal Jacoby shall continue to serve as an active chairman of the Board of Directors until the appointment of a Qualified CEO as aforesaid. For the purpose hereof, the term **"Qualified CEO"** shall mean a CEO that has been appointed with the consent of at least two-thirds (2/3) of the members of the Board of Directors.

7.8. Conduct Until Closing. The Company agrees, that until the Closing, the Company shall conduct its business solely in the ordinary course of business and, among other matters, shall not declare or make any distribution to any shareholders, enter into any related party transactions or sell any material assets of the Company (other than the Company's products sold in the ordinary course of business).

8. Confidentiality

Without derogating from any other agreement or undertaking to which any of the parties hereto is or may become in the future subject and in addition to any such agreement or undertaking, each Investor undertakes that it shall keep in confidence, and not use for any purpose whatsoever except for internal purposes, any and all information relating to the Company which has been provided to it by the Company or was otherwise obtained by it,

except information which (i) is or shall be in the public domain not due to any act or omission of such Investor in breach of law or agreement; (ii) was known to such Investor prior to the disclosure as evidenced in written records; (iii) was legally transmitted or disclosed to such Investor by a third party which to such Investor's knowledge owes no obligation of confidentiality to the Company; or (iv) is required to be disclosed pursuant to an order of the court or other governmental body, stock exchange or regulatory body or by law or other regulations, provided that to the extent possible and legally permissible: (a) such Investor notifies the Company in writing of such a need to disclose as soon as reasonably possible; and (b) discloses only such information as the Investor reasonably believes is required. Notwithstanding the aforesaid, in connection with periodic reports to its shareholders, investors, partners, or Permitted Transferees (as defined in the Amended Articles), an Investor may make general statements, not containing technical or other confidential information regarding the nature and progress of the Company's business, and may provide summary financial information of the Company regarding the Company's financial information in its reports to its respective shareholders, investors or partners, but may not annex to such reports the full financial information provided by the Company. Furthermore, it is hereby clarified that an Investor that is an investment fund shall be entitled to distribute to its investors also the information regarding the Company set forth in **Exhibit 8** hereto.

9. Indemnification

9.1. The Investors have the right to rely fully upon the representations, warranties, covenants and agreements of the Company contained in this Agreement or any Exhibit hereto or any other ancillary agreement or document executed or delivered in connection with or pursuant to any of the foregoing ("**Transaction Document**"). All representations, warranties, covenants and agreements of the Companies shall survive the execution and delivery of this Agreement and remain in full force and effect until the earlier of: (i) an IPO; and (ii) the lapse of two (2) years following the Closing, provided, however, that the representations and warranties of the Company in Section 4.14 (IP) shall survive and remain in full force and effect until the earlier of: (i) an IPO; and (ii) the lapse of four (4) years following the Closing, and provided, further, that the representations and warranties of the Company in Section 4.12 shall survive and remain in full force and effect until the earlier of: (i) an IPO; and (ii) the lapse of the statute of limitations regarding such matter.

9.2. The Company's liability to each Investor for a breach of any of its representations or warranties under this Agreement shall be limited to the amount invested by such Investor hereunder plus an amount equal to 8% thereof per annum (compounded annually). No claim shall be asserted by any or all of the Investors in an amount lower than $50,000**,** provided that in case of a claim in excess of the aforesaid threshold, the claim can be submitted for the entire amount.

9.3. Subject to the limitations set forth in Sections 9.1 and 9.2 above, the Company agrees to indemnify, defend and hold harmless the Investors and their successors and assigns from and against all direct claims, actions, suits, losses, liabilities, damages, deficiencies, judgments, settlements, costs of investigation or other expenses

(including but not limited to interest, penalties and reasonable attorneys' fees and disbursements incurred in connection with enforcing this indemnification) (collectively, "**Losses**") based upon or arising out of or any (i) inaccuracy in or any breach of any representation or warranty of the Companies contained in this Agreement and/or any Transaction Document; or (ii) failure of the Company to comply with its obligations under the Transaction Documents.

In the event that any of the Investors shall sustain or incur any Losses in respect of which indemnification may be sought by it pursuant hereto, such Investor shall assert a claim for indemnification by giving prompt written notice thereof (a "**Claims Notice**") which shall describe in reasonable detail the facts and circumstances upon which the asserted claim for indemnification is based, to the party providing indemnification (the "**Indemnitor**") and shall thereafter keep the Indemnitor reasonably informed with respect thereto; provided that failure of such Investor to give the Indemnitor prompt notice as provided herein shall not relieve the Indemnitor of any of its obligations hereunder, except to the extent that the Indemnitor is materially prejudiced by such failure. In case any claim, action, suit, hearing or other proceeding (a "**Claim**") is brought against an Investor, the Indemnitor shall have the right to assume, conduct and control the defense, compromise or settlement thereof, by written notice to the Investor of its intention to do so within ten (10) days after receipt of the Claims Notice, with counsel reasonably satisfactory to the Investor, at the Indemnitor's own expense, and thereupon to prosecute in the name and on behalf of the Investor any available cross-claims, counterclaims or third-party claims arising with respect to the Claim. If the Indemnitor shall assume the defense of such Claim, it shall not settle such Claim unless such settlement includes as an unconditional term thereof the giving by the claimant or the plaintiff of a release of the Investor, satisfactory to the Investor, from all liability with respect to such Claim. Notwithstanding the assumption by the Indemnitor of the defense of any Claim as provided in this Section 9.3 and without limiting the Indemnitor's right to assume, conduct and control the defense, compromise or settlement thereof, the Investor shall be permitted to join in the defense of such Claim and to employ counsel at its own expense, so long as such joining does not interfere with the Indemnitor's right to conduct and control such matter.

10. Miscellaneous

10.1. The Company will pay promptly following the Closing, if and only if, the transactions contemplated herein and the Closing hereunder shall occur, all reasonable legal and other fees and costs incurred by the Investors, including in connection with technical, legal and accounting due diligence matters, the Transaction Documents, and out of pocket expenses of the Investors, in an aggregate amount not to exceed US$40,000 plus Value Added Tax. The costs or expenses of an Investor which are not covered by the Company as aforesaid shall be born solely by such Investor.

10.2. Each of the parties shall take such actions, including the execution and delivery of further instruments and voting its shares in the Company, as may be necessary to give full effect to the provisions

hereof and to the intent of the parties hereto.

10.3. Each Investor agrees that no other Investor nor the respective controlling persons, officers, directors, partners, agents, or employees of any Investor shall be liable for any action herein or hereafter taken or omitted to be taken by any of them in connection with the execution hereof or actions contemplated herein, and each Investor shall be liable only for its own representations, warranties, undertakings and obligations and shall not be liable for any breach by any other Investor or for any action taken or omitted to be taken by any other Investor in connection with the execution hereof and the transactions and actions contemplated herein.

10.4. Any term of this Agreement may be amended only with the written consent of the Company and the holders of the majority of the Preferred D Shares ("**Majority Investors**"). Notwithstanding the foregoing, any term of the Amended Articles and/or any term of an agreement attached as an exhibit hereto, and/or any term of any document ancillary hereto or thereto, may be amended only in accordance with the respective terms thereof.

10.5. Each of the Investors shall be entitled to transfer and assign all or a part of its shares in the Company, rights and obligations hereunder, in accordance with the provisions set forth in the Amended Articles with regard to the transfer of shares of the Company. A condition to any such transfer or assignment shall be that the transferee or assignee shall confirm in writing its agreement to be bound by all the provisions hereof in respect of the rights and duties transferred or assigned to it. The provisions hereof shall inure to the benefit of, and be binding upon, such permitted successors, assigns, heirs, executors, and administrators of the parties hereto.

10.6. This Agreement and the Exhibits hereto, and the Schedules and Exhibits to such Exhibits, constitute the full and entire understanding and agreement between the parties with regard to the subject matters hereof and thereof. A party may waive any of its rights hereunder provided, however, that such waiver shall be in writing and shall apply only to such party's rights hereunder.

10.7. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default therefore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

10.8. All remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

10.9. This Agreement shall be governed exclusively by and construed solely in accordance with, the laws of the State of Israel, without regard to conflict of law principles thereof.

10.10. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

10.11. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given for all purposes (a) when received or seven (7) days after it is mailed by prepaid registered mail; (b) upon the transmittal thereof by facsimile; or (c) upon the manual delivery thereof, to the respective addressee or fax numbers set forth above or to such other address of which notice as aforesaid is actually received.

10.12. All Preferred Shares and Ordinary Shares issued upon conversion thereof held or acquired by affiliated entities of an Investor (*i.e.* entities or persons that are under common control of such Investor ("**control**" defined as ownership of more than 50% of the securities or voting power in such entity)) or the Permitted Transferees as defined in the Amended Articles of an Investor shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

10.13. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties have signed this Agreement as of the date first hereinabove set forth.

Allot Communications Ltd.

By: Yigal Jacoby
Title: CEO and Chairman
Signature: /s/ Yigal Jacoby

BancBoston Investments Inc.

By: David T. Jeffrey
Title: Director
Signature: /s/ David T. Jeffrey

Gemini Israel II LP

By: David Cohen
Title: CFO
Signature: /s/ David Cohen

Gemini Israel II Parallel Fund LP

By: David Cohen
Title: CFO
Signature: /s/ David Cohen

Gemini Partner Investors LP

By: David Cohen
Title: CFO
Signature: /s/ David Cohen

Advent PGGM Gemini LP

By: David Cohen
Title: CFO
Signature: /s/ David Cohen

Tamir Fishman Venture Capital II Ltd.

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Tamir Fishman Ventures II (Cayman Islands) LP

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Tamir Fishman Ventures II CEO Funds (U.S) LP

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Tamir Fishman Ventures II LP

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Tamir Fishman Ventures II CEO Funds LP

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Tamir Fishman Ventures II (Israel) LP

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Peter Grant — TFV Advisory Board member

By: Peter Grant
Title:
Signature: /s/ Peter Grant

Partech International Growth Capital I LLC

By: [Illegible]
Title: General Partner
Signature: /s/ [Illegible]

Partech International Growth Capital II LLC

By: [Illegible]
Title: General Partner
Signature: /s/ [Illegible]

Partech International Growth Capital III LLC

By: [Illegible]
Title: General Partner
Signature: /s/ [Illegible]

AXA Growth Capital II L.P.

By: [Illegible]
Title: General Partner
Signature: /s/ [Illegible]

Double Black Diamond II LLC

By: [Illegible]
Title: General Partner
Signature: /s/ Illegible

Multinvest LLC

By: [Illegible]
Title: General Partner
Signature: /s/ Illegible

Exhibit 10.2

Share Purchase Agreement

This Share Purchase Agreement (this "**Agreement**") is entered into as of May 18, 2006 by and among **Allot Communications Ltd.**, an Israeli company (registered no. 51-239477-6) having its main place of business at 5 Hanagar Street, Neve Ne'eman B Industrial Zone, Hod Hasharon 45800 (the "**Company**") and certain investors, the names and addresses of which are set forth on **Exhibit I** attached hereto (each an "**Investor**" and collectively the "**Investors**").

WHEREAS, the Company requires an infusion of funds in order to continue to conduct its business activities; and

WHEREAS, the Investors wish to invest in the Company in consideration of the issuance by the Company of the Company's Series E Preferred Shares, NIS 0.01 par value each, subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Interpretation; Definitions

1.1. The Recitals and Exhibits hereto consist an integral part hereof.

1.2. The headings of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

1.3. In this Agreement, unless the context otherwise requires:

1.3.1. "**Corporate Documents**" means the Company's Memorandum of Association and Articles of Association.

1.3.2. "**Companies**" means the Company and the Subsidiaries, on a consolidated basis.

1.3.3. "**European Subsidiary**" means Allot Communication Europe SARL, a company duly organized and validly existing under the laws of France.

1.3.4. "**Interested Party**" means any "interested party", as such term is defined in the Israeli Securities Law of 1968, or any member of the family or affiliate of such Interested Party, Person controlled by it, Person under common control or Person controlling it.

1.3.5. "**IPO**" means an underwritten initial public offering of Ordinary Shares of the Company.

1.3.6. "**Japanese Subsidiary**" means Allot Communications Japan K.K., a company duly organized and validly existing under the laws of Japan.

1.3.7. "**JVP**" means Jerusalem Venture Partners IV LP, Jerusalem Venture Partners IV-A LP, Jerusalem Venture Partners Entrepreneurs Fund IV LP, and Jerusalem Venture Partners IV (Israel) LP, together.

1.3.8. "**Liens**" means all mortgages, liens, pledges, charges, security interests, third party rights or other claims or encumbrances of any kind whatsoever.

1.3.9. "**Ordinary Shares**" means the Ordinary Shares of the Company NIS 0.01 par value.

1.3.10. "**Ordinary A Shares**" means the Ordinary Shares (Series A) of the Company NIS 0.01 par value.

1.3.11. "**Person**" means an individual, any entity, corporation, partnership, joint venture, trust or non-incorporated organization.

1.3.12. "**Preferred A Shares**" means the Series A Preferred Shares of the Company NIS 0.01 par value.

1.3.13. "**Preferred B Shares**" means the Series B Preferred Shares of the Company NIS 0.01 par value.

1.3.14. "**Preferred C Shares**" means the Series C Preferred Shares of the Company NIS 0.01 par value.

1.3.15. "**Preferred D Shares**" means the Series D Preferred Shares of the Company NIS 0.01 par value.

1.3.16. "**Preferred E Shares**" means the Series E Preferred Shares of the Company NIS 0.01 par value.

1.3.17. "**Preferred Shares**" means the Preferred A Shares, the Preferred B Shares, the Preferred C Shares, the Preferred D Shares and the Preferred E Shares.

1.3.18. "**RRE**" means the official representative rate of exchange of the US Dollar last published by the Bank of Israel prior to the time of payment or calculation under this Agreement.

1.3.19. "**Singaporean Subsidiary**" means Allot Communications (Asia Pacific) PTE. LTD., a company duly organized and validly existing under the laws of Singapore.

1.3.20. "**Subsidiaries**" means the US Subsidiary, the European Subsidiary, the Japanese Subsidiary and the Singaporean Subsidiary.

1.3.21. "**US Subsidiary**" means Allot Communications, Inc., a corporation duly organized and validly existing under the laws of the State of California.

1.3.22. "**Walden**" means Walden Israel Fund LP, Walden Israel Ventures LP, Gadish Kranot Gmulim Ltd., Tagmulim Ltd., Katsir Kupat Tagmulim Upitzuyim Ltd., Keren Hishtalmut Le'Academaim Bemada'ai Haruach Vehachevra Ltd. and Keren Or Kupat Tagmulim Upitsuim Ltd., together.

1.4. In this Agreement all obligations and undertakings of the Investors shall apply and bind each of the Investors severally, and not jointly, and each Investor shall be liable only for its own representations, warranties, undertakings and obligations and shall not be liable for any breach by any other Investor or for any action taken or omitted to be taken by any other Investor in connection with the execution hereof and the transactions and actions contemplated herein.

2. The Transaction

2.1. Sale and Purchase of Shares

2.1.1. The Company shall issue and allot to the Investors an aggregate of 4,521,501 Preferred E Shares (the "**Shares**"), to be allocated among them as set forth in **Exhibit I**, in consideration of the payment to the Company by each of the Investors of US$1.21641 for each Preferred E Share (the "**Original Price Per Share**"), totaling, for all Investors together, US$5,500,000 (the "**Purchase Price**").

2.1.2. At the Closing (as defined below), the Company shall issue the Shares to the Investors, against payment by the Investors of the Purchase Price.

2.1.3. The Company represents and warrants to the Investors that immediately following the Closing (as defined below), the Shares shall represent 5.759% of the share capital of the Company, on a Fully Diluted Basis. For the purpose of this Agreement, "**Fully Diluted Basis**" shall mean all issued and outstanding share capital of the Company, including Preferred A Shares, Preferred B Shares, Preferred C Shares, Preferred D Shares and Preferred E Shares, all securities issuable upon the conversion of any existing convertible securities or loans, the exercise of all outstanding warrants, options, options reserved under the ESOP (as defined below) (whether allocated or unallocated, vested or unvested), and issuance of securities pursuant to any anti-dilution rights of existing shareholders (if any), triggered by the Closing.

3. Closing

3.1. Closing. The transactions contemplated hereby shall take place at a closing (the "**Closing**") to be held on May 18, 2006 (the "**Closing Date**"), or such other date, time as the parties shall mutually agree. For the avoidance of doubt, the Closing shall take place simultaneously with and contingent upon the consummation of the Walden Share Sale (as defined below).

3.2. Deliveries and Transactions at Closing. At the Closing, the following transactions shall occur simultaneously (no transaction shall be deemed to have been completed or any document delivered until all such transactions have been completed and all required documents delivered):

3.2.1. The Company shall deliver to the Investors the following documents:

3.2.1.1. Duly executed binding resolutions of the Company's General Meeting, in the form attached hereto as **Exhibit 3.2.1.1**, approving, among other matters: (i) the modification of the share capital of the Company and the creation of the Preferred E Shares and the performance of the Company's obligations hereunder and pursuant to all of the transactions, agreements and instruments contemplated hereby; (ii) the replacement of the Articles of Association of the Company with the Amended Articles of Association attached hereto as **Exhibit 3.2.1.1a** (the "**Amended Articles**"); (iii) the amendment to the Company's Memorandum of Association to reflect the Company's registered share capital as set forth in the Amended Articles with duly completed notices of such changes to the Israeli Registrar of Companies in the form attached hereto as **Exhibit 3.2.1.1b**, to be in form and substance acceptable for immediate filing with the Israeli Registrar of Companies; and (iv) the transactions contemplated hereby.

3.2.1.2. Duly executed resolution of the Board of Directors of the Company in the form set forth in **Exhibit 3.2.1.2** approving among other matters: (i) the Company's execution of this Agreement and all transactions, agreements and instruments contemplated hereby; (ii) the issuance and allotment of the Shares to the Investors against payment by the Investors of the Original Price Per Share for each Share, together with a duly completed notice of the issuance of the Shares in form and substance acceptable for immediate filing with

the Israeli Registrar of Companies; (iii) the reservation of a sufficient number of Ordinary Shares to be issued upon the conversion of the Shares; (iv) the authorization of the issuance of such Ordinary Shares upon such conversion; (v) new Signature Rights of the Company; and (vi) the transfer of the Company's shares from Walden to JVP.

3.2.1.3. Validly executed Share Certificates pertaining to the Shares in the name of the respective Investors.

3.2.1.4. A written confirmation, in the form of **Exhibit 3.2.1.4** hereto, executed by the CEO of the Company, confirming and certifying that the Company has complied with all its obligations hereunder and all the conditions to Closing to be met by the Company and any of its subsidiaries have been satisfied.

3.2.1.5. An opinion in the form attached hereto as **Exhibit 3.2.1.5**, dated as of the Closing Date, of Ori Rosen & Co., counsel to the Company.

3.2.1.6. Copies of all applicable consents and waivers, including but not limited to (i) duly executed waivers in the form attached hereto as **Exhibit 3.2.1.6** executed by all of the shareholders of the Company, pursuant to which each of the shareholders, not exercising preemptive rights in connection with this Agreement, shall have waived any preemptive rights, rights of first refusal, co-sale rights, including any such rights with respect to the sale of the Company's shares from Walden to JVP (the "**Walden Share Sale**"), or similar rights it may have with respect to the transactions contemplated in connection with this Agreement (the "**Rights**"); or (ii) evidence that the Rights have expired.

3.2.1.7. An acknowledgement of the Office of the Chief Scientist of the Ministry of Industry and Trade of the State of Israel, an approval of the Investment Center, and any other approvals necessary in connection with the matters referred to in Sections 4.24 and/or 4.25 for the consummation of the transactions contemplated by this Agreement, if any.

3.2.1.8. A copy of the Company's shareholders' register updated as of immediately following the Closing, reflecting the issuance of the Shares and the Walden Share Sale.

3.2.1.9. A copy of the Amended and Restated Investors Rights Agreement (the "**Investors Rights Agreement**") executed by the Investors, certain shareholders of the Company, the Company and any required party, in the form attached hereto as **Exhibit 3.2.1.9**.

3.2.1.10. A duly executed copy of the Management Rights Letter addressed to JVP, in the form attached hereto as **Exhibit 3.2.1.10**.

3.2.1.11. A duly executed copy of the US Tax Requirements Letter addressed to JVP, in the form attached hereto as **Exhibit 3.2.1.11.**

3.2.1.12. Certificate of Good Standing of the US Subsidiary from the Secretary of State of California dated as close as possible to the Closing Date and in no event earlier than five days prior to the Closing Date.

3.2.2. Upon the Closing and against the issuance of the Shares in the name of the Investors, and the registration of all the Shares in the name of the respective Investors in the shareholders' register of the Company, each of the Investors shall pay to the Company its proportional share of the Purchase Price, in US dollars or the amount equivalent in NIS according to the RRE, at the discretion of such Investor, by way of a bank transfer to the Company's account, pursuant to wiring instructions given in writing by the Company prior to Closing, or by a certified check, or by such other form of payment as is mutually agreed by the Company and such Investor.

3.3. Conditions to Closing by the Investors. The obligations of the Investors at the Closing are subject to the fulfillment at or before the Closing of the following conditions precedent, any one or more of which may be waived in whole or in part by the Investors, which waiver shall be at the sole discretion of the Investors:

3.3.1. Representations and Warranties. The representations and warranties made by the Company in this Agreement shall have been true and correct when made, and shall be true and correct as of the Closing as if made on the date of the Closing.

3.3.2. Covenants. All covenants, agreements, and conditions contained in this Agreement to be performed or complied with by the Company and Persons other than the Investors prior to the Closing, and at the Closing, shall have been performed or complied with prior to or at the Closing.

3.3.3. Consents, etc. The Company shall have secured all permits, consents and authorizations that shall be necessary or required for the Company to consummate this Agreement and all transactions contemplated thereby, and to issue the Shares to the Investors at the Closing, and the Amended Articles shall be ready for immediate filing with the Registrar of Companies promptly following the Closing.

3.3.4. Delivery of Documents. All the documents to be delivered by the Company at the Closing shall be in the form attached hereto, and the Investors shall have received all such counterpart originals or certified or other copies of such documents.

3.3.5. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement shall have taken place and duly performed and completed.

3.3.6. Absence of Adverse Changes. From the date hereof until the Closing, there shall have been no material adverse change in the financial, business or other condition of the Company.

3.3.7. No Action. No action, suit, or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any state, municipal, or foreign jurisdiction or before any arbitrator, reference of which is not contained herein, wherein an unfavorable injunction, judgment, order, decree, ruling, or charge that would: (i) prevent consummation of any of the transactions contemplated by this Agreement or by any of the ancillary agreements thereto; (ii) cause any of the transactions contemplated by this Agreement or by any of the ancillary agreements thereto, to be rescinded following consummation; (iii) affect, materially and adversely, the rights of

the Companies to own the Intellectual Property Rights or other assets or to operate their business.

3.4. Conditions to Closing by the Company. The obligations of the Company are subject to the fulfillment at or before the Closing of the conditions that: (a) all covenants, agreements and conditions contained in this Agreement to be performed, or complied with, by the Investors prior to the Closing shall have been performed or complied with by the Investors prior to or at the Closing, and (b) the representations and warranties made by the Investors in this Agreement shall have been true and correct when made, and shall be true and correct as of the date of the Closing, which conditions may be waived in whole or in part by the Company, and which waiver shall be at the sole discretion of the Company.

4. Representations and Warranties of the Company.

The Company hereby represents and warrants to each of the Investors that, as of the date hereof and as of Closing, the following representations and warranties are true and accurate in all respects with regard to the Companies, and acknowledge that the Investors are entering into this Agreement in reliance thereon (in connection with the representations made herein by the Company, any knowledge possessed by either of the Subsidiaries, shall be deemed to be possessed also by the Company):

4.1. The Company has the full power and authority to execute and deliver this Agreement and the other agreements contemplated hereby or which are ancillary hereto, and to consummate the transactions contemplated hereby and thereby. All corporate action on the part of the Company necessary for the authorization, execution, delivery, and performance of all of the Company's obligations under this Agreement and the other agreements contemplated hereby or which are ancillary hereto, and for the authorization, issuance, and allotment of the Shares being sold under this Agreement, and the Ordinary Shares issuable upon conversion of the Shares has been (or will be) taken prior to the Closing. The Company and each Subsidiary has all franchises, permits, licenses, and any similar authority necessary or required under any law, regulation, rule or ordinance, for the conduct of its business as now being conducted, of which the failure to obtain would have a material adverse effect on the Company or such Subsidiary, and, none of the Company or any of the Subsidiaries is in material default under any of the same.

The Company believes that it or each such Subsidiary can obtain, without undue burden or expense, any similar authority for the conduct of its business as presently planned to be conducted.

4.2. The Company is a company duly incorporated and validly existing under the laws of the State of Israel, the US Subsidiary is a corporation duly organized and validly existing under the laws of the State of California, the European Subsidiary is a company duly organized and validly existing under the laws of France, the Japanese Subsidiary is a company duly organized and validly existing under the laws of Japan and the Singaporean Subsidiary is a company duly organized and validly existing under the laws of Singapore. Each of the Companies has the power and authority to own, lease and operate its properties and to carry on its business as now being conducted and as presently planned to be conducted. Neither the nature of the Companies' business as now conducted nor their ownership or leasing of property, require that the Companies be qualified to do business or be in good standing in any jurisdiction other than jurisdictions in which they are qualified to do business or in good standing, except in such jurisdictions where the failure to be so qualified or be in good standing does not have a material adverse effect on the Company or its

business on a consolidated basis. Attached hereto in **Exhibit 4.2** are true and accurate copies of the Company's Certificate of Incorporation, Memorandum of Association and current Articles of Association as in effect prior to the execution hereof, and each of the Subsidiaries' incorporation documents. None of the Companies has taken any action or failed to take any action, which action or failure would preclude or prevent any of the Companies from conducting its business in the manner heretofore conducted and/or as presently planned to be conducted.

4.3. The authorized share capital of the Company immediately prior to the Closing shall consist of (A) 69,807,819 Ordinary Shares, of which (i) 10,862,535 shares are issued and outstanding, (ii) 14,351,071 shares are reserved for issuance upon the exercise of employee, director and consultant options and the Tmura warrant granted under the Company's Employee Stock Option Plan (the "**ESOP**") or under the warrant granted to Tmura, 14,346,396 of which are reserved for exercise of options (and the Tmura warrant) that have been granted and are outstanding; (B) 2,687,600 Ordinary A Shares, all of which are issued and outstanding; (C) 46,504,581 Preferred Shares, of which (i) 7,765,580 have been designated Series A Preferred Shares, all of which are issued and outstanding, (ii) 29,989,420 have been designated Series B Preferred Shares, of which 27,062,220 shares are issued and outstanding, and 2,306,737 are reserved for issuance upon exercise of options granted by the Company; (iii) 898,200 have been designated Series C Preferred Shares all of which are issued and outstanding; and (iv) 7,851,381 have been designated Series D Preferred Shares, all of which are issued and outstanding.

The authorized capital stock of the Company at the Closing shall consist of (A) 80,286,318 Ordinary Shares, of which (i) 10,862,535 shares shall be issued and outstanding, (ii) 14,351,071 shares are reserved for issuance upon the exercise of employee, director and consultant options and the Tmura warrant granted under the ESOP or under the warrant granted to Tmura, of which 14,346,396 Ordinary Shares are reserved for exercise of options (and the Tmura warrant) that have been granted and are outstanding or promised; (B) 2,687,600 Ordinary A Shares, all of which are issued and outstanding; (C) 51,026,082 Preferred Shares, of which (i) 7,765,580 have been designated Series A Preferred Shares, all of which shall be issued and outstanding, (ii) 29,989,420 have been designated Series B Preferred Shares, of which 27,062,220 shares shall be issued and outstanding, and 2,306,737 shall be reserved for issuance upon exercise of options granted by the Company; (iii) 898,200 have been designated Series C Preferred Shares all of which shall be issued and outstanding; (iv) 7,851,381 have been designated Series D Preferred Shares, all of which are issued and outstanding; and (v) 4,521,501 have been designated Series E Preferred Shares, all of which shall be issued and outstanding at the Closing.

All of the outstanding share capital of the Company has been duly authorized, and is validly issued, fully paid and nonassessable. Neither the Company nor any one acting on its behalf has offered securities of the Company for issuance or sale to, or solicited any offer to acquire any of the same from, anyone so as to make issuance and sale of the Shares not exempt from the registration requirements of Section 5 of the U.S. Securities Act of 1933, the Israeli Securities Law, 1968 or any other applicable law of any other jurisdiction. None of the outstanding shares of the Company have been offered or sold in such a manner as to make the issuance and sale of such shares not exempt from such registration requirements, and all such shares have been offered and sold in compliance with all applicable securities laws. Except as set forth in **Exhibit 4.3**, there are no other share capital, convertible

securities, outstanding warrants, options or other rights or agreements to subscribe for, or to purchase from the Company, any shares or other securities of the Company, nor are there outstanding any warrants, options, convertible instruments, or any other rights, agreements, undertakings, or promises or commitments, written or oral, to sell or acquire securities from the Company. The Shares, at the time the Company has to issue and allot the same in accordance with this Agreement, are duly authorized, validly issued, free of preemptive or similar rights, and upon payment therefor fully paid and non-assessable. The Shares when issued and allotted will have the rights, preferences and privileges set forth in the Corporate Documents of the Company, as amended hereunder, and the Investors Rights Agreement, and the issuance of Shares upon payment therefor will be free and clear of any Liens and duly registered in the name of each Investor in the Company's shareholders register. The Ordinary Shares issuable upon conversion of the Shares have been duly authorized and reserved for issuance in the manner and terms specified in the Corporate Documents, by all necessary corporate action and, when issued and allotted, will be duly and validly issued, fully paid, non-assessable and free of any preemptive rights or anti dilution rights, and will have the rights, preferences, privileges and restrictions set forth in the Corporate Documents, as amended hereunder, and the Investors Rights Agreement, and the issuance thereof will be free and clear of any Liens and duly registered in the name of each of the Investors in the Company's register of shareholders.

4.4. Except as set forth in **Exhibit 4.4**, the Company is not under any obligation to register for trading on any securities exchange any of its currently outstanding securities or any of its securities which may hereafter be issued.

4.5. The entire issued share capital of, and all of the rights pertaining to, each Subsidiary are held of record and beneficially by the Company free and clear of Liens, options to purchase, proxies, voting trust or other voting agreements, and has been duly authorized, validly issued, fully paid and non-assessable and free of any preemptive rights. No Person has any rights to receive and/or purchase any securities and/or any other rights in and/or in connection with the Subsidiaries and/or any of them. Except for the US Subsidiary, the European Subsidiary, the Japanese Subsidiary and the Singaporean Subsidiary, the Company has no subsidiaries and does not, directly or indirectly, own any interest in any corporation, partnership, joint venture or other business association. There are no other share capital, preemptive rights, convertible securities, outstanding warrants, options or other rights to subscribe for, purchase or acquire from any Subsidiary or from the Company, any share capital of such Subsidiary and there are no contracts or binding commitments providing for the issuance of, or the granting of rights to acquire, any share capital of any Subsidiary.

4.6. The directors of each of the Companies are listed in **Exhibit 4.6** and have been duly and lawfully appointed to such position. Except as set forth in **Exhibit 4.6**, none of the Companies is a party to any agreement, obligation or commitment with respect to (i) the election of any individual or individuals to the Board of Directors of the Company or any Subsidiary; (ii) any voting agreement or other arrangement among the Company's shareholders; or (iii) any compensation to be paid to any of the Companies' directors or officers. All agreements, commitments and understandings, whether written or oral, with respect to any compensation to be provided to any of the Companies' directors or officers are set forth in **Exhibit 4.6**.

4.7. Since December 31, 2005, there has been no declaration or payment by the Company of dividends, or any distribution by the Company of any assets of any kind to any of its shareholders in redemption of or as the purchase price for any of the Company's securities.

4.8. The Company has furnished the Investors a draft of consolidated, United States Dollar-denominated financial statements of the Company and the Subsidiaries for the period ended December 31, 2005 (a true and complete copy of which is attached hereto in **Exhibit 4.8**), (the "**Financial Statements**"). The Financial Statements are true and accurate in all material respects, are in accordance with the books and records of the Companies and fairly reflect the financial condition, transactions in and dispositions of the assets of, the results of operations of, and the cash flows of the Companies for the periods stated therein. The Financial Statements were prepared in accordance with U.S. generally accepted accounting principles ("**GAAP**") applied on a consistent basis.

4.9. Except as set forth in **Exhibit 4.9** or as set forth in the Financial Statements, since December 31, 2005, the Companies have conducted each of their businesses in the ordinary course consistent with past practice, and there has not been: (i) to the Companies' knowledge, any event that has had or may be expected to have a material adverse effect on the business, assets, prospects, condition or the results of operations and financial condition of any of the Companies (collectively, the "**Condition of the Companies**") or that would hereafter give rise to any material debt or liability of the Companies or any claim, demand or suit against the Companies or against their shareholders as shareholders of the Companies; (ii) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of the Companies; (iii) any damage, destruction or other casualty or loss (whether or not covered by insurance) with respect to any asset of the Companies affecting or which may affect the Condition of the Companies; (iv) any change in any method of accounting or accounting practice by the Companies; (v) any new transaction or change of terms of an existing transaction, between the Companies and a party who is known by the Companies to be an Interested Party; (vi) any waiver by the Companies of any material right, or of a material debt, owed to it; (vii) any material change or amendment to material agreement or arrangement by which the Companies or any of their assets are bound, which is reasonably likely to have a material adverse effect on the Condition of the Companies; (viii) any sale, transfer or lease of or mortgage or pledge or imposition of lien on any of the Companies' assets other than in the ordinary course of business; (ix) any agreement or arrangement made by the Companies to do any of the foregoing; (x) any loans made by the Company or any Subsidiary to its employees, officers or directors; (xi) any change in any compensation arrangement or agreement with any key employee of the Companies; (xii) any satisfaction or discharge of any lien, claim or encumbrance or payment of any obligation by the Company or any Subsidiary, except in the ordinary course of business and that is not, individually or in the aggregate, materially adverse to the Condition of the Companies; or (xiii) any other event, series of events in the aggregate or condition of any character that would adversely affect in a material way the Condition of the Companies.

4.10. Except as fully reflected, disclosed or reserved for in the Financial Statements or in **Exhibit 4.9**, none of the Companies has any material indebtedness or liability, whether absolute, accrued, fixed, contingent or otherwise, other than as incurred in the ordinary course of business of the Companies.

4.11. Except as set forth in the Financial Statements and as specifically stated in **Exhibit 4.11** attached hereto, none of the Companies is a guarantor of any debt or obligation of another, nor have the Companies given any loan, security or have otherwise

agreed to become directly or contingently liable for any obligation of any Person, and no Person has given any guarantee of or security for any obligation of the Companies.

4.12. The Companies have timely filed all tax returns and reports required by applicable laws. These returns and reports are true and correct in all material respects except to the extent that a reserve has been reflected on the Financial Statements in accordance with generally accepted accounting principles. The Companies have paid all taxes and other assessments due, except those contested by them in good faith that are listed in **Exhibit 4.12** and except to the extent that a reserve has been reflected on the Financial Statements in accordance with generally accepted accounting principles. The provision for taxes of the Company as shown in the Financial Statements is adequate for taxes due or accrued as of the date thereof. The Companies have not filed with any tax authority any specific elections under applicable tax laws or regulations (other than elections that related solely to methods of accounting, depreciation or amortization) that would have a material adverse affect on the Condition of the Companies. The US Subsidiary has not elected pursuant to the Internal Revenue Code of 1986, as amended (the "**Code**"), to be treated as a Subchapter S corporation or a collapsible corporation pursuant to Section 1362(a) or Section 341(f) of the Code. Except as set forth in **Exhibit 4.12**, the Companies have never had any tax deficiency proposed or assessed against them and have not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. No federal income tax returns and no state income or franchise tax or sales or use tax returns have ever been audited by governmental authorities. Since the date of the Financial Statement, the Companies have not incurred any taxes, assessments or governmental charges other than in the ordinary course of business and have made adequate provisions on their books of account for all taxes, assessments and governmental charges with respect to their business, properties and operations for such period. The Companies have withheld or collected from each payment made to each of their employees, the amount of all taxes (including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes) required to be withheld or collected therefrom, and have paid the same when due to the proper tax-receiving officers or authorized depositories.

4.13. The real and personal property of the Companies includes such assets as set forth in the Financial Statements as of the date of the Financial Statement and additional assets purchased in the ordinary course of business. Except as set forth in **Exhibit 4.13**, the Companies hold all of their property free and clear of all Liens. Each of the Companies, as applicable, has good and marketable title to all of its assets, and such assets are sufficient for the conduct of the Company's or the Subsidiaries' business as currently conducted, and as presently planned to be conducted. None of the Companies is in material default or in breach of its leases or licenses, and the Companies hold a valid leasehold or licensed interest in the respective property they lease or license. To the Company's knowledge, none of the shareholders of any of the Company owns, holds or possesses, in his individual or any other capacities, any property, whether tangible or intangible, which is material, individually or in the aggregate, to the financial condition, operations or business of the Companies.

4.14. The minute books of each of the Companies, which have been provided or made available to the Investors, contain accurate and complete copies of the minutes of every meeting of the Companies' shareholders and the boards of directors (and any

committee thereof). No resolutions have been passed, enacted, consented to or adopted by the directors (or any committee thereof) or shareholders of the Companies, except for those contained in such minute books.

4.15. Intellectual Property.

4.15.1. **Exhibit 4.15.1A** sets forth all (i) patents, trademarks, service marks, copyrights, domain names and mask works owned by the Company and each of the Subsidiaries, or licensed to the Companies; (ii) all pending patent or trade mark applications or applications for registration which the Company has made with respect to any of its intellectual property; (iii) each trade name or unregistered trademark used by the Companies; and (iv) license, agreement or other permission which the Company has granted to, or received from any third party with respect to any of its intellectual property (all of the above in this Section 4.15.1, together with all technology, know how and trade secrets owned by any of the Companies or licensed to any of the Companies shall be referred to, collectively, as the "**Intellectual Property Rights**"). No other material intellectual property, other than the Intellectual Property Rights and "off-the-shelf" products available on market terms used in the operation of the Companies' business, is necessary for the Companies to enable them to conduct their business as currently conducted. The only open source software or similar software that is used by the Companies is listed in **Exhibit 4.15.1B** hereto and the terms of the licenses thereof were made available to Investors' counsel.

4.15.2. Except as explicitly and specifically set forth in **Exhibit 4.15.2**, (i) no Intellectual Property Right of any of the Companies is subject to any stipulation or agreement, and to the Companies' best knowledge, the Intellectual Property Rights or any part thereof are not subject to any law or outstanding order, or agreement, materially restricting the use or licensing thereof by the Companies; (ii) the Companies possess all right, title, and interest in and to the Intellectual Property Rights which the Companies purport to own and good and valid license to the licensed Intellectual Property Rights, and the Companies own such rights with respect to the Intellectual Property that they purport to own, all free and clear of any lien, pledge, encumbrance, security interest or other restriction; (iii) to the Company's knowledge, no Person, other than the Company and the Subsidiaries, has any conflicting ownership right, title, interest, claim in or lien on, any of the Intellectual Property Rights; (iv) any and all of the Intellectual Property Rights of any kind that the Companies purport to own and that have been developed by the shareholders of any of the Companies and/or by former shareholders of any of the Companies and/or by any related parties thereto and/or by any employees or former employees of any of the Companies and/or by any consultants or former consultants of any of the Companies and/or by any related parties thereto, have been assigned to the Companies; (v) none of the Companies is aware of any third party that is infringing or violating any of the Intellectual Property Rights; (vi) to the best knowledge of the Company, the Intellectual Property Rights that the Companies purport to own are not subject to any outstanding injunction, judgment, order, decree, ruling, or charge that applies to the Companies in the jurisdictions in which they are registered and conduct business; (vii) to the best knowledge of the Company, no action, suit, proceeding, hearing, investigation, charge,

complaint, claim, or demand is pending or is threatened, which challenges the legality, validity, enforceability, use or ownership of the Intellectual Property that the Companies purport to own in the jurisdictions in which they are registered and conducts business; (viii) none of the Companies has granted, and there are not outstanding, any options, licenses or agreements of any kind relating to any Intellectual Property Rights that the Companies purport to own, nor is any of the Companies bound by, or a party to, any option, license or agreement of any kind (whether exclusive or non-exclusive) with respect to any of the Intellectual Property Rights that the Companies purport to own, in each case, other than licenses granted and products sold in the ordinary course of business of the Companies pursuant to the Companies' standard agreements, copies of which have been provided or made available to Investors' counsel, nor has the Company entered into any covenant not to compete in any market, field or application, geographical area or with any third party; (ix) none of the Companies is obligated to pay any royalties, fees or otherwise to third parties with respect to the marketing, sale, distribution, manufacture, license or use of any Intellectual Property Rights or any other property or rights.

4.15.3. None of the Companies has, to the best of the Company's knowledge, violated or infringed, or is currently violating or infringing, and none of the Companies has received any communication alleging that any of the Companies (or any of their employees or consultants or former employees and consultants in their capacity as such) has violated or infringed, or, by conducting its business as currently conducted, violates or infringes, any patents, trademarks, service marks, trade names, trade secrets, copyrights or other proprietary rights of any other Person.

4.15.4. The Company is unaware that any current employee, contractor or consultant of the Companies is obligated under any agreement (including licenses, covenants or commitments of any nature) or subject to any judgment, decree or order of any court or of an administrative agency, or any other restriction, that would interfere with the use of his or her best efforts to carry out his or her duties for the Companies, or to promote the best interests of the Companies, or that would conflict with the Companies' business as presently conducted.

4.15.5. To the best of the Company's knowledge, the carrying on of the Companies' business by the Companies' employees will not, and by contractors and consultants of the Companies is not reasonably expected to, and the conduct of the Companies' business as presently conducted will not, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract or agreement under which any of such employees, contractors or consultants of the Companies is now obligated.

4.15.6. At no time during the conception of or reduction of any of the Intellectual Property Rights that the Company purports to own to practice was any developer, inventor or other contributor to such Intellectual Property Rights operating under any grants from any governmental entity or agency, performing research sponsored by any governmental entity or agency or private source, or subject to any employment agreement, or invention assignment or nondisclosure agreement or other obligation with any third party that could adversely affect the Companies' rights in such Intellectual Property Rights.

4.15.7. Each of the Companies has taken security measures to protect the confidentiality and value of all the Intellectual Property Rights, which measures are reasonable and customary in the industry in which the Companies operate.

4.15.8. It is not, and, to the Company's best knowledge, will not become, necessary to utilize any inventions of any of the Companies' employees made prior to their employment by the Companies other than those that have been assigned to the Companies pursuant to the proprietary information agreement signed by all such employees.

4.15.9. Each employee, officer and consultant and each former employee, officer and consultant of the Companies, and/or any other Person who contributed to the Intellectual Property Rights of the Company which have been developed, or are currently being developed, executed a Non-disclosure and Assignment of Invention Agreements sufficient to vest in the Company good and exclusive title to such Intellectual Property Rights as well as to the work product or result of endeavors of any of the above, free of any rights or royalty or other obligations. The forms of such agreements have been made available to Investors' counsel, and such agreements are substantially in the forms attached hereto in **Exhibit 4.15.9**, and to the Company's best knowledge, none of the Companies' employees, officers or consultants, or former employees, officers or consultants, are in violation thereof.

4.16. A true and complete list of all material agreements and contracts (which, with respect to agreements and contracts with a specified value shall include only contracts with a value of at least US$ 50,000) and all distribution, reseller and OEM agreements to which any of the Companies is a party, or by which their property is bound and the Companies bonus, incentive or profit sharing plans is attached in **Exhibit 4.16** hereto. Subject to all applicable laws, all such agreements and contracts are valid, in full force and effect and binding upon the Companies and, to the Company's knowledge, on the other parties thereto, and none of the Companies nor, to the best of the Company's knowledge, any other party thereto, is in breach of such agreements and contracts. True and correct copies of all such contracts, or complete and accurate summaries and/or forms thereof have been made available to Investors' counsel.

4.17. Except as set forth in **Exhibit 4.17** attached hereto:

4.17.1. none of the directors, officers or shareholders of the Companies: (i) has been involved in any business arrangement or relationship with the Companies, which is material to any of the Companies or their business; (ii) has any cause of action or other claim whatsoever against or owes any amount to, or is owed any amount by, the Companies; (iii) has lent or advanced any money to, or borrowed any money from, or guaranteed or otherwise become liable for, any indebtedness or other obligations of the Companies; (iv) is a party to any contract, lease, agreement, arrangement or commitment with the Companies that is material to any of the Companies in their business; or (v) received from or furnished the Companies any goods or services (with or without consideration) material to the Companies in the conduct of their business, since their incorporation.

4.17.2. There are no transactions or presently planned transactions between any of the

Companies and any directors, officers or shareholders of the Companies.

4.17.3. No employee, shareholder, officer or director of any of the Companies, is indebted to the Companies, nor is any of the Companies indebted (or committed to make loans or extend or guarantee credit) to any of them.

4.18. All of the Companies' senior employees are as listed in **Exhibit 4.18**, and a complete and accurate summary of their material terms of employment is listed in a table to be provided to the Investors on the date of Closing. True and correct copies of such senior employees' employment agreements (including but not limited to employment, confidentiality and non-competition agreements) have been delivered to or made available to the Investors' counsel. Each of the Companies is, to the best of its knowledge and was at all times, in compliance in all material respects with all applicable laws, policies, procedures and agreements relating to employment, terms and conditions of employment and to the proper withholding and remission to the proper tax authorities of all sums required to be withheld from employees or persons deemed to be employees under applicable tax laws respecting such withholding, and in any event any noncompliance (whether known or not) is not expected to have a material adverse effect on any of the Companies. Each of the Companies has paid in full to all of its respective employees wages, salaries, commissions, bonuses, benefits and other compensation due and payable to such employees on or prior to the date hereof and none of the Companies has any accrued debt or monetary obligation (including for vacation or salaries) to employees or former employees, except as reflected in the Financial Statements (to the extent such debt or monetary obligations are required to be reflected in financial statements). None of the Companies is bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union except for those provisions of general agreements between the Histadrut and any Employers' Union or Organization which are applicable to all the employees in Israel by Extension Order, and except for the Company's obligations towards the Industrial Employers Organization, in lieu of membership fees, as set forth in **Exhibit 4.18A**. No labor union has requested or has sought to represent any of the employees, representatives or agents of the Companies. The Companies' relations with their respective employees are good and, to the Companies' knowledge, no such employee has materially violated any term of his or her employment agreement. To the Company's knowledge, neither the employment by the Companies of any of their respective employees, nor the engagement by them of any of their respective consultants, constitutes a breach of any of such persons' obligations to third parties, including non-competition or confidentiality obligations.

4.19. The Companies hold insurance policies required for and reasonably covering the risks customary and generally applicable to the conduct of their business as presently conducted and as presently planned to be conducted. **Exhibit 4.19** contains a list of all insurance policies issued for or to the benefit of the Companies. There is no claim by any of the Companies pending under any of such policies. All premiums payable under all such policies have been paid and the Companies are otherwise in full compliance with the material terms and conditions of all such policies. Such policies are in full force and effect. None of the Companies has taken any action, or to the best of the Company's knowledge omitted to take any action, which would render any such insurance policy void or voidable or which could result in a material increase in the premium for any such insurance policy.

4.20. The Companies, to the best of their knowledge, have all permits, licenses and any

similar authority necessary for the conduct of their business or ownership of property as currently conducted, and in any event the absence of any such permits, licenses and any similar authority (whether known or not) is not expected to have a material adverse effect on any of the Companies. The Companies are in full compliance with all of the terms and requirements of each such permits, licenses etc., and no event has occurred or circumstance exists that may (with or without notice or lapse of time) constitute or result directly or indirectly in a material violation of or a material failure to comply with any term or requirement of any such permit or license, or result directly or indirectly in the revocation, withdrawal, suspension, cancellation, or termination of, or any modification to, any such permit or license.

4.21. None of the Companies, to the best of their knowledge, is in material violation of any applicable law, regulation, order, decree or judgment of any court or any governmental body applicable to them, and in any event any material violation (whether known or not) is not expected to have a material adverse effect on the Condition of the Companies. The Company is not in default under its Corporate Documents and neither of the Subsidiaries is in default under its incorporation documents. None of the Companies is in material default under any agreement, instrument or document to which it is a party or by which it or any of its property is bound or affected.

4.22. No action, proceeding or governmental inquiry or investigation is pending or threatened, to the best of the Company's and the Subsidiaries' knowledge, against the Company or the Subsidiaries or any of their respective officers, directors or employees (in their capacity as such), or against the Companies' properties, before any court, arbitration board or tribunal or administrative or other governmental agency, nor is any of the Companies aware of any fact which would result in any such proceedings. None of the Companies is a party to or subject to the provisions of any order, writ, injunction, judgment or decree of any court or governmental agency or instrumentality in any jurisdiction in which the Companies are registered or in which any of the Companies operates. The foregoing includes, without limiting its generality, actions, pending or threatened, involving the prior employment of any of the Companies' employees or the use by any of them in connection with the Company's business, of any information, property or techniques allegedly proprietary to any of their former employers, nor to the Companies' knowledge is there any reasonable basis for such. There is no action, suit, proceeding or investigation by the Companies pending or that the Companies intend to initiate.

4.23. No agent or broker or any Person acting in a similar capacity on behalf of or under the authority of any of the Companies is or will be entitled to any broker's or finder's fee or any other similar commission, acceleration, fee or other compensation in connection with the transactions contemplated hereby.

4.24. Except as set forth in **Exhibit 4.24**, no consents, approvals, authorizations or permits are required in connection with the consummation by the Company of the transactions contemplated by this Agreement.

4.25. The Company has applied for and received funding from the Office of the Chief Scientist of the Ministry of Industry and Trade. The Company has also received an approval from the Investment Center of the Ministry of Industry and Trade, for its investment plan. The Company has complied (excluding non-compliances which are immaterial) and intends to continue to comply with the terms and provisions of such programs and approval. The Company is not in breach of the material terms and conditions of such approvals and undertakings, the Company is not aware of any

claim asserting that it does not comply with the material terms of such approvals and undertakings and has not received any claim or demand asserting to the same.

4.26. Other than as set forth in Section 4.25 above, the ability of the Companies to conduct their business and acquire all necessary licenses, permits and authorizations for that purpose (including, but not limited to, export permits), is not, to the best of their knowledge, encumbered or restricted in any material way by any Israeli governmental body, agency or authority (a "**Governmental Body**") and in any event any such encumbrance or restriction (whether known or not) is not expected to have a material adverse effect on the Companies. Without limiting the generality of the foregoing, to the best knowledge of the Company, there is no claim and there is no basis for any claim by any Governmental Body against the Company with respect to its export of its technology, and none of its technology is currently reasonably expected to be classified as restricted technology by any Governmental Body.

4.27. Neither the execution and delivery of this Agreement and the performance of the terms hereof nor the consummation of the transactions contemplated hereby will conflict with, or result in a violation of, or constitute a default under the Corporate Documents of the Companies or any agreement or other instrument to which the Companies are a party or by which any of them is bound, or to which their property is subject, nor will the performance by the Company of its obligations hereunder be reasonably expected to violate any law, consent, permit, rule, regulation or order of any court, any governmental agency or body having jurisdiction over the Companies or any of their property. Such execution, delivery and compliance will not give to others any rights, including rights of termination, cancellation or acceleration, in or with respect to any agreement or commitment referred to in this Section, or to any of the properties of the Companies.

4.28. Prior to or at Closing, this Agreement and the Investors Rights Agreement shall have been duly and validly authorized, executed and delivered by the Company, shall constitute valid and binding obligations of the Company, and, subject to all applicable laws, shall be enforceable against the Company in accordance with their terms.

4.29. Neither of the Company or anyone acting on its behalf has offered or will offer securities of the Company or any part thereof or any similar securities for issuance or sale to, or solicit any offer to acquire any of the same from, anyone so as to make issuance and sale of the Shares hereunder not exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended, or the prospectus requirements of the Israeli Securities Law, 1968. None of the shares of the Company's issued and outstanding share capital has been offered or sold in such a manner as to make the issuance and sale of such shares not exempt from such registration and prospectus requirements.

4.30. No insolvency proceeding of any character, including, without limitation, bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, with respect to the Companies is pending or, to the knowledge of the Company, threatened.

4.31. No customer or supplier that was significant to the Company during the period covered by the Financial Statements or that has been significant to the Company thereafter, has terminated, materially reduced, or, to the best of the Company's knowledge, threatened in writing to terminate or materially reduce, its purchases from or provision of products or services to the Company, as the case may be, which

actual or threatened termination or reduction has or is expected to have a material adverse effect on the Company's business, taken as a whole.

4.32. Except as set forth in **Exhibit 4.32**, the Company has not granted exclusive rights to manufacture, produce, assemble, license, market or sell its products to any other Person.

4.33. To the Company's knowledge, there are no defects in the Companies' products that would materially and adversely affect, in the short term and for the life of such products, their performance or create an unusual risk of injury to person or to property. Except as set forth in **Exhibit 4.33**, to the Company's knowledge, the products have been designed and manufactured so as to meet and comply in all material respects with all applicable governmental and industry standards currently in effect, and have received all governmental approvals, if any, necessary to allow their sale and use, except where non-compliance therewith or non-receipt thereof will not have a material adverse effect on the Condition of the Companies. Except as disclosed in **Exhibit 4.33**, since January 1, 2002, none of the Companies has received any material customer complaints concerning their products that may have a material adverse effect of the business of the Company, taken as a whole.

4.34. Without limiting in any way the Investors' reliance upon the representations and warranties of the Companies in this Agreement, the Company has made all information the Investors have requested available to the Investors. Neither this Agreement nor any agreement or document made or delivered by the Company in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading. To the best of the Company's knowledge, there is no material fact or information relating to the Conditions of the Companies that has not been disclosed to the Investors by the Company.

5. Representations and Warranties of the Investors.

Each of the Investors, with respect to itself, hereby represents and warrants to the other parties hereto as follows:

5.1. It has the full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby, and the execution and delivery of this Agreement have been authorized by all necessary corporate action. This Agreement constitutes the valid and binding obligation of it, and subject to all applicable laws — it is enforceable against it in accordance with its respective terms.

5.2. It is duly organized, validly existing and in good standing under the laws of the country of its organization or incorporation.

5.3. Neither the execution and delivery of this Agreement nor performance by it of the terms hereof, will conflict with, or result in a breach or violation of, any of the terms, conditions and provisions of: (i) any of its corporate documents, (ii) any judgment, order, injunction, decree, or ruling of any court or governmental authority, domestic or foreign, to which it is subject, (iii) any agreement, contract, lease, license or commitment to which it is party or to which it is subject, or (iv) applicable laws. Such execution, delivery and performance will not require the consent or approval of any Person, which consent or approval has not heretofore been obtained or which will be obtained by the Closing.

5.4. Without derogating from the representations and warranties made by the Companies herein, and the right of the Investor to rely thereon, it represents that based on the

information provided by the Companies, it has been furnished with all information it has requested and/or all such information has been made available to it, and that it has been afforded the opportunity to ask questions of officers or other representatives of the Companies concerning the business of the Companies. For the avoidance of doubt, the parties acknowledge that the inclusion of any reference to any of the agreements and/or transactions and/or information and/or materials in any of the exhibits to the Agreement (the "**Disclosed Matters**") shall not constitute any exception to the representations and/or warranties made by the Company in the Agreement unless, with regard to any particular exhibit, this Agreement states explicitly that the contents of such exhibit constitute an exception to a specific warranty and/or representation of the Company. It understands that making the Investment and the purchase of the Shares involves substantial risk. It has experience as an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risks of such investment in the Shares and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Shares and protecting its own interests in connection with this investment. The Investor can bear the risk of its investment hereunder and a complete loss thereof. The Investors are "accredited investors" within the meaning of Rule 501 of Regulation D promulgated under the U.S. Securities Act of 1933, as amended.

5.5. It is purchasing the Shares for investment purposes only. The Investor understands that the Shares to be purchased hereby, have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Investor's representations as expressed herein.

6. Affirmative Covenants

6.1. Use of Proceeds. The proceeds of the Investment shall be used by the Company for operational and capital expenditure only, in accordance with the Company's operating plan, cash flow and budget which: (i) have been presented in detail to and approved by the Investors prior to the date hereof; and (ii) are subject to future changes as may be determined by the Board of Directors of the Company.

6.2. Proprietary and Non-Competition Agreements. The Company will not employ, or continue to employ, any person who will have access to confidential information with respect to the Company and its operations unless such person has executed and delivered a Proprietary Information Agreement, and will not employ, or continue to employ, any person who is contributing or will contribute to the Intellectual Property of the Company unless such person has executed and delivered a Proprietary Information and Inventions Assignment Agreement to the satisfaction (as to substance and form) of the Company's Board of Directors. The inclusion of a non competition undertaking with respect to any employee hired by the Company at any time after the Closing shall be determined by the Board of Directors.

6.3. No Publicity. Each of the parties hereto and any person acting on their behalf shall not issue any public statement or press release concerning this transaction without the prior written approval by the Majority Investors (as defined in Section 8.4 herein) of the substance and form of any such statement or release. Notwithstanding the foregoing, the Company and the Investors hereby acknowledge that Tamir Fishman Venture Capital II Ltd. is a public traded company, and as such, has reporting requirements under Israeli laws associated therewith, and thus the parties hereto

agree to the publishing by Tamir Fishman Venture Capital II Ltd. of a report regarding this transaction, as required pursuant to such laws.

6.4. Reports, Notices. Without derogating from any provisions of this Agreement, the Company will duly and timely file all reports and notices required under any applicable law, regulation or instrument to which the Company is party, in respect of consummation of the transactions contemplated hereunder.

6.5. ESOP. The Company undertakes that all options and/or securities issued pursuant to the ESOP subsequent to the Closing shall be subject to a vesting period of at least 4 years from the date of grant or as otherwise determined by the Board of Directors of the Company.

6.6. Directors and Officers Insurance. The Company shall maintain in full force and effect Directors and Officers Insurance policy, covering the directors of the Company (including the director to be appointed by JVP) in a minimum amount of $3,000,000.

6.7. Conduct Until Closing. The Company agrees, that until the Closing, the Company shall conduct its business solely in the ordinary course of business and, among other matters, shall not declare or make any distribution to any shareholders, enter into any related party transactions or sell any material assets of the Company (other than the Company's products sold in the ordinary course of business).

7. Indemnification

7.1. The Investors have the right to rely fully upon the representations, warranties, covenants and agreements of the Company contained in this Agreement or any Exhibit hereto or any other ancillary agreement or document executed or delivered in connection with or pursuant to any of the foregoing ("**Transaction Documents**"). All representations, warranties, covenants and agreements of the Company shall survive the execution and delivery of this Agreement and remain in full force and effect and a claim with respect to any breach thereof may only be made until the earlier of: (i) an IPO; and (ii) the lapse of two (2) years following the Closing, provided, however, that the representations and warranties of the Company in Section 4.15 (IP) shall survive and remain in full force and effect until the earlier of: (i) an IPO; and (ii) the lapse of four (4) years following the Closing, and provided, further, that the representations and warranties of the Company in Section 4.12 (Tax) shall survive and remain in full force and effect until the earlier of: (i) an IPO; and (ii) the lapse of the statute of limitations regarding such matter.

7.2. The Company's liability to each Investor for a breach of any of its representations or warranties under this Agreement shall be limited to the amount invested by such Investor hereunder plus an amount equal to 8% thereof per annum (compounded annually). No claim shall be asserted by any or all of the Investors in an amount lower than $50,000**,** provided that in case of a claim in excess of the aforesaid threshold, the claim can be submitted for the entire amount.

7.3. Subject to the limitations set forth in Sections 7.1 and 7.2 above, the Company agrees to indemnify, defend and hold harmless the Investors and their successors and assigns from and against all direct claims, actions, suits, losses, liabilities, damages, deficiencies, judgments, settlements, costs of investigation or other expenses (including but not limited to interest, penalties and reasonable attorneys' fees and disbursements incurred in connection with enforcing this indemnification)

(collectively, "**Losses**") based upon or arising out of or any (i) inaccuracy in or any breach of any representation or warranty of the Companies contained in this Agreement and/or any Transaction Document; or (ii) failure of the Company to comply with its obligations under the Transaction Documents.

In the event that any of the Investors shall sustain or incur any Losses in respect of which indemnification may be sought by it pursuant hereto, such Investor shall assert a claim for indemnification by giving prompt written notice thereof (a "**Claims Notice**") which shall describe in reasonable detail the facts and circumstances upon which the asserted claim for indemnification is based, to the party providing indemnification (the "**Indemnitor**") and shall thereafter keep the Indemnitor reasonably informed with respect thereto; provided that failure of such Investor to give the Indemnitor prompt notice as provided herein shall not relieve the Indemnitor of any of its obligations hereunder, except to the extent that the Indemnitor is materially prejudiced by such failure. In case any claim, action, suit, hearing or other proceeding (a "**Claim**") is brought against an Investor, the Indemnitor shall have the right to assume, conduct and control the defense, compromise or settlement thereof, by written notice to the Investor of its intention to do so within ten (10) days after receipt of the Claims Notice, with counsel reasonably satisfactory to the Investor, at the Indemnitor's own expense, and thereupon to prosecute in the name and on behalf of the Investor any available cross-claims, counterclaims or third-party claims arising with respect to the Claim. If the Indemnitor shall assume the defense of such Claim, it shall not settle such Claim unless such settlement includes as an unconditional term thereof the giving by the claimant or the plaintiff of a release of the Investor, satisfactory to the Investor, from all liability with respect to such Claim. Notwithstanding the assumption by the Indemnitor of the defense of any Claim as provided in this Section 7.3 and without limiting the Indemnitor's right to assume, conduct and control the defense, compromise or settlement thereof, the Investor shall be permitted to join in the defense of such Claim and to employ counsel at its own expense, so long as such joining does not interfere with the Indemnitor's right to conduct and control such matter.

8. Miscellaneous

8.1. The Company will pay promptly following the Closing, if and only if, the transactions contemplated herein and the Closing hereunder shall occur, all reasonable legal and other fees and costs incurred by the Investors, including in connection with technical, legal and accounting due diligence matters, the agreement and other documents contemplated hereby, and out of pocket expenses of the Investors, in an aggregate amount not to exceed US$40,000 plus Value Added Tax. For the avoidance of doubt, such maximum amount shall include reimbursement of expenses of Tamir Fishman's venture funds and Partech's venture funds in an aggregate amount not to exceed US$7,500 plus Value Added Tax. Each Investor acknowledges that payment of its fees by the Company raises a potential conflict of interest and hereby consents to the payment arrangement set forth herein. The costs or expenses of an Investor which are not covered by the Company as aforesaid shall be borne solely by such Investor.

8.2. Each of the parties shall take such actions, including the execution and delivery of further instruments and voting its shares in the Company, as may be necessary to give full effect to the provisions hereof and to the intent of the parties hereto.

8.3. Each Investor agrees that no other Investor nor the respective controlling persons, officers, directors, partners, agents, or employees of any Investor shall be liable for

any action herein or hereafter taken or omitted to be taken by any of them in connection with the execution hereof or actions contemplated herein, and each Investor shall be liable only for its own representations, warranties, undertakings and obligations and shall not be liable for any breach by any other Investor or for any action taken or omitted to be taken by any other Investor in connection with the execution hereof and the transactions and actions contemplated herein.

8.4. Any term of this Agreement may be amended only with the written consent of the Company and the holders of the majority of the Preferred E Shares issued hereunder (the "**Majority Investors**"). Notwithstanding the foregoing, any term of the Amended Articles and/or any term of an agreement attached as an exhibit hereto, and/or any term of any document ancillary hereto or thereto, may be amended only in accordance with the respective terms thereof.

8.5. Each of the Investors shall be entitled to transfer and assign all or a part of its shares in the Company, rights and obligations hereunder, in accordance with the provisions set forth in the Amended Articles with regard to the transfer of shares of the Company. A condition to any such transfer or assignment shall be that the transferee or assignee shall confirm in writing its agreement to be bound by all the provisions hereof in respect of the rights and duties transferred or assigned to it. The provisions hereof shall inure to the benefit of, and be binding upon, such permitted successors, assigns, heirs, executors, and administrators of the parties hereto.

8.6. This Agreement and the Exhibits hereto, and the Schedules and Exhibits to such Exhibits, constitute the full and entire understanding and agreement between the parties with regard to the subject matters hereof and thereof. A party may waive any of its rights hereunder provided, however, that such waiver shall be in writing and shall apply only to such party's rights hereunder.

8.7. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default therefore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

8.8. All remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative.

8.9. This Agreement shall be governed exclusively by and construed solely in accordance with, the laws of the State of Israel, without regard to conflict of law principles thereof.

8.10. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

8.11. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given for all purposes (a) when received or seven (7) days after it is mailed

by prepaid registered mail; (b) one (1) business day following the transmittal thereof by electronic mail, or facsimile with confirmation of receipt; or (c) upon the manual delivery thereof, to the respective addressee or fax numbers set forth above or to such other address of which notice as aforesaid is actually received. If a notice is, in fact, received by the addressee, then it shall be deemed to have been duly served, when received, notwithstanding it having been defectively addressed or failed in some other respect, to comply with the provisions of this Section 8.11.

8.12. All Preferred Shares and Ordinary Shares issued upon conversion thereof held or acquired by affiliated entities of an Investor (*i.e.* entities or persons that are under common control of such Investor ("**control**" defined as ownership of more than 50% of the securities or voting power in such entity)) or the Permitted Transferees as defined in the Amended Articles of an Investor shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

8.13. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall constitute one and the same instrument. Executed counterparts delivered via any form of electronic transmission shall be deemed as originals.

[Signature Pages Follow]

[First Signature Page to Allot 2006 Share Purchase Agreement]

IN WITNESS WHEREOF the parties have signed this **Share Purchase Agreement** as of the date first hereinabove set forth.

COMPANY:
Allot Communications Ltd.
By: Adi Sapiv
Title: Chief Financial Officer
Signature: /s/ Adi Sapiv

INVESTORS:

Tamir Fishman Venture Capital II Ltd.
By:
Title:
Signature: [Illegible]

Tamir Fishman Ventures II (Cayman Islands) LP
By:
Title:
Signature: [Illegible]

Tamir Fishman Ventures II CEO Funds (U.S) LP
By:
Title:
Signature: [Illegible]

Tamir Fishman Ventures II LP
By:
Title:
Signature: [Illegible]

Tamir Fishman Ventures II CEO Funds LP
By:
Title:
Signature: [Illegible]

Tamir Fishman Ventures II (Israel) LP
By:
Title:
Signature: [Illegible]

Partech International Growth Capital I LLC
By: Ami Amir
Title: General Partner
Signature: /s/ Ami Amir

Partech International Growth Capital III LLC
By: Ami Amir
Title: General Partner
Signature: /s/ Ami Amir

AXA Growth Capital II L.P.
By: Ami Amir
Title: General Partner
Signature: /s/ Ami Amir

Double Black Diamond II LLC
By: Ami Amir
Title: General Partner
Signature: /s/ Ami Amir

Multinvest LLC
By: Ami Amir
Title: General Partner
Signature: /s/ Ami Amir

[Second Signature Page to Allot 2006 Share Purchase Agreement]

IN WITNESS WHEREOF the parties have signed this **Share Purchase Agreement** as of the date first hereinabove set forth.

Jerusalem Venture Partners IV LP
By: Erel Margalit
Title:
Signature: /s/ Erel Margalit

Jerusalem Venture Partners IV-A LP
By: Erel Margalit
Title:
Signature: /s/ Erel Margalit

Jerusalem Venture Partners Entrepreneurs Fund IV LP
By: Erel Margalit
Title:
Signature: /s/ Erel Margalit

Jerusalem Venture Partners IV (Israel) LP
By: Erel Margalit
Title:
Signature: /s/ Erel Margalit

Shlomo Shimshowitz
Signature: /s/ Shlomo Shimshowitz

Eitan Mossauoff
Signature: /s/ Eitan Mossauoff

Amos Fouzailov
Signature: /s/ Amos Fouzailov

Exhibit 10.3

SECOND AMENDED AND RESTATED INVESTORS RIGHTS AGREEMENT

This Second Amended and Restated Investors Rights Agreement (this "**Agreement**") is entered into as of October 26, 2006 (the "**Effective Date**"), by and among **Allot Communications Ltd.**, an Israeli company (registered no. 51-239477-6) having its main place of business at 22 Hanagar Street, Neve Ne'eman B Industrial Zone, Hod Hasharon 45420, Israel (the "**Company**"), the holders of Preferred A Shares, par value NIS 0.10 per share, of the Company whose names and addresses are set forth on **Exhibit I** attached hereto (the "**Preferred A Shareholders**"), the holders of Preferred B Shares, par value NIS 0.10 per share of the Company, whose names and addresses are set forth on **Exhibit II** attached hereto (the "**Preferred B Shareholders**"), the holders of Preferred C Shares, par value NIS 0.10 per share of the Company, whose names and addresses are set forth on **Exhibit III** attached hereto (the "**Preferred C Shareholders**"), the holders of Preferred D Shares, par value NIS 0.10 per share of the Company, whose names and addresses are set forth on **Exhibit IV** attached hereto (the "**Preferred D Shareholders**") and the holders of Preferred E Shares, par value NIS 0.10 per share of the Company, whose names and addresses are set forth on **Exhibit V** attached hereto (the "**Preferred E Shareholders**", and together with the Preferred A Shareholders, the Preferred B Shareholders the Preferred C Shareholders and the Preferred D Shareholders, the "**Preferred Shareholders**")

WHEREAS, some or all of parties hereto entered into the Amended and Restated Investors Rights Agreement (the "**Original Agreement**") on May 18, 2006;

WHEREAS, the parties hereto, consisting of at least the number of holders of the Registrable Securities required under Section 18.5 of the Original Agreement wish to make certain amendment to the Original Agreement;

NOW, THEREFORE, in consideration of the mutual promises, covenants, conditions, representations and warranties set forth herein, and intending to be legally bound hereby, the parties agree that the Prior Agreement in hereby amended and restated in its entirety by this Agreement, and the parties to this Agreement further agree as follows:

1. **DEFINITIONS**

For purposes of this Agreement:

1.1. The Company's "**Fiscal Year**" shall commence on the first day of January and shall end on the last day of December of each year or such other period as may be determined by the Board of Directors of the Company.

1.2. The term "**Holder**" means any of the Preferred Shareholders and their transferees and assigns.

1.3. The term "**Initiating Holders**" means Holders holding the majority of the Registerable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities, assuming for purposes of such determination the conversion of all shares convertible into Registrable Securities.

1.4. The term "**IPO**" means the closing of a firmly underwritten public offering of Ordinary Shares of the Company.

1.5. The term "**Preferred D Initiating Holders**" means Holders holding the majority of the Preferred D Registrable Securities, assuming for purposes of such determination the conversion of all shares convertible into Preferred D Registrable Securities.

1.6. The term "**Preferred D Registrable Securities**" means the Ordinary Shares presently

held by or hereinafter issued to the Holders of Preferred D Shares resulting from the conversion of the Preferred D Shares of the Company and all Ordinary Shares issued by the Company in respect of such shares.

1.7. The term "**Public Corporation**" means a corporation which has a class of equity security registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "**1934 Act**"), or which is required to file periodic reports pursuant to Section 15(d) of the 1934 Act.

1.8. The terms "**register**", "**registered**" and "**registration**" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering by the SEC of effectiveness of such registration statement or document or the equivalent under the laws of another jurisdiction.

1.9. The term "**Registrable Securities**" means the Ordinary Shares presently held by or hereinafter issued to the Holders resulting from the conversion of the Preferred Shares and all Ordinary Shares issued by the Company in respect of such shares or the Preferred Shares.

1.10. The term "**SEC**" means the United States Securities and Exchange Commission.

1.11. The term "**Securities Act**" means the U.S. Securities Act of 1933, as amended.

1.12. The term "**Preferred E Initiating Holders**" means Holders holding the majority of the Preferred E Registrable Securities, assuming for purposes of such determination the conversion of all shares convertible into Preferred E Registrable Securities.

1.13. The term "**Preferred E Registrable Securities**" means the Ordinary Shares presently held by or hereinafter issued to the Holders of Preferred E Shares resulting from the conversion of the Preferred E Shares of the Company and all Ordinary Shares issued by the Company in respect of such shares.

2. **INFORMATION AND ACCESS RIGHTS**

2.1. Information Rights. Until the IPO, and provided that a Preferred Shareholder is a shareholder of the Company, each Preferred Shareholder shall be entitled to receive from the Company, subject to the confidentiality undertakings below: (a) an internally prepared monthly profit and loss and cash-flow statement no later than 30 days following the end of each month; (b) un-audited, but reviewed quarterly financial statements prepared by a 'Big 4' accounting firm, which shall include profit and loss, balance sheet and cash flow statements no later than 45 days following the end of each quarter (provided, however, that with respect to the first quarter of the year 2006, said period shall be 60 days following the end of such quarter); (c) audited annual financial statements prepared by a 'Big 4' accounting firm no later than 3 months following the last day of each Fiscal Year; and (d) an annual budget at least 30 days prior to the beginning of each fiscal year providing a budget breakdown on a monthly basis. Each of the above shall be prepared in English, on a consolidated basis for the Company and its Subsidiaries.

2.2. Access and Visitation Rights. Until the IPO, each Preferred Shareholder shall be entitled, at reasonable times, upon reasonable notice and through one representative, full access to all books and records of the Company and each of the Subsidiaries (as defined below), to review them, and to inspect the properties of the Company and consult with management of the Company. In addition, such representative shall be permitted to use the Company's and Subsidiaries' (as the term Subsidiary is defined below) copying facilities in order to make and retain a reasonable number of copies of

such books and records at such representative's discretion, all subject to standard confidentiality undertakings. As soon as practicable, the Company shall provide any other information regarding the business, affairs and condition of the Company (on a consolidated basis) as the Preferred Shareholder qualifying under the provisions of Section 2 may reasonably request to monitor its investment in the Company.

2.3. Confidentiality. Without derogating from any other agreement or undertaking to which any of the parties hereto is or may become in the future subject, and in addition to any such agreement or undertaking, each Preferred Shareholder undertakes that it shall keep in confidence, and not use for any purpose whatsoever, except for internal purposes, any and all information relating to the Company which has been provided to it by the Company or was otherwise obtained by it, except for information which (i) is or shall be in the public domain not due to any act or omission of such Preferred Shareholder in breach of law or agreement; (ii) was known to such Preferred Shareholder prior to the disclosure as evidenced in written records; (iii) is legally transmitted or disclosed to such Preferred Shareholder by a third party which to such Preferred Shareholder's knowledge owes no obligation of confidentiality to the Company; or (iv) is required to be disclosed pursuant to an order of the court or other governmental body, stock exchange or regulatory body or by law or other regulations, provided that, to the extent possible and legally permissible: (a) such Preferred Shareholder notifies the Company in writing of such a need to disclose as soon as reasonably possible; and (b) discloses only such information as the Preferred Shareholder reasonably believes is required. Notwithstanding the aforesaid, in connection with periodic reports to its investors, shareholders, partners or Permitted Transferees (as defined in the Articles of Association of the Company, as may be amended from time to time), a Preferred Shareholder may make general statements, not containing technical or other confidential information, regarding the nature and progress of the Company's business; and provided further, that a Preferred Shareholder may provide summary information regarding the Company's financial information in its reports to its respective shareholders, investors, partners or Permitted Transferees (as defined in the Articles of Association of the Company, as may be amended from time to time), but may not annex to such reports the full financial information provided hereunder by the Company. Furthermore, it is hereby clarified that a Preferred Shareholder which is an investment fund shall be entitled to distribute to its investors also the information regarding the Company set forth in **Exhibit 2.3** hereto, and shall be entitled to distribute to its consultants and advisors any information that may be required in connection with tax filings, determinations or elections to be made in connection with such Preferred Shareholder and its Permitted Transferees.

3. **ACCOUNTING**

The Company will maintain and cause each of its Subsidiaries to maintain a system of accounting established and administered in accordance with US GAAP consistently applied, and will set aside on its books and cause each of its operating Subsidiaries to set aside on its books all such proper reserves as shall be required by US GAAP. For purposes of this Agreement, "**Subsidiary**" means any corporation or entity at least a majority of whose voting securities are at the time owned by the Company, or by one or more Subsidiaries, or by the Company and one or more Subsidiaries. This Section 3 shall terminate upon the closing of an IPO.

4. **DEMAND REGISTRATION**

4.1. Following an IPO, (i) the Initiating Holders may request in writing that all or part of their Registrable Securities be registered for trading on any securities exchange on

which the Company's shares are otherwise traded, provided that the good faith anticipated aggregate proceeds exceed US$5,000,000 (a "**Preferred Shareholders Demand**"). In addition, following the IPO, (ii) the Preferred D Initiating Holders may request in writing that all or part of their Preferred D Registrable Securities be registered for trading on any securities exchange on which the Company's shares are otherwise traded, provided that the good faith anticipated aggregate proceeds exceed US$5,000,000 (a "**Preferred D Shareholders Demand**"), and (iii) the Preferred E Initiating Holders may request in writing that all or part of their Preferred E Registrable Securities be registered for trading on any securities exchange on which the Company's shares are otherwise traded, provided that the good faith anticipated aggregate proceeds exceed US$5,000,000 (a "**Preferred E Shareholders Demand**" and collectively with the Preferred Shareholders Demand or a Preferred D Shareholders Demand, each a "**Demand**").

4.2. Within 20 days after receipt of a request for a Demand, the Company shall give written notice of such request to the other Holders and shall make best efforts to include in such registration all Registrable Securities held by all such Holders who wish to participate in such demand registration and provide the Company with written requests for inclusion therein within 15 days after the receipt of the Company's notice. Thereupon, the Company shall use its best efforts to effect the registration of all Registrable Securities as to which it has received requests for registration for trading on the securities exchange specified in the request for registration.

4.3. Notwithstanding the foregoing, if the Company shall furnish to the Initiating Holders or the Preferred D Initiating Holders or the Preferred E Initiating Holders, as applicable, a certificate signed by the CEO or the Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, then the Company shall have the right to defer such filing for a period of not more than one hundred and twenty (120) days after receipt of the demand from the Initiating Holders or the Preferred D Initiating Holders or the Preferred E Initiating Holders, as applicable, provided that the Company shall not have the right to defer such filing more than twice per year.

4.4. If the managing underwriter advises the Holders in writing that marketing factors require a limitation of the number of shares to be underwritten in the Demand, then the following shares shall participate and be included in the registration, in the following order: (A) in the event that the Demand is a Preferred E Shareholders Demand — (i) first, Preferred E Registrable Securities allocated among the Holders of the Preferred E Registrable Securities, pro rata, according to the number of Preferred E Registrable Securities of each such Holder of Preferred E Registrable Securities requested to be included in the registration; (ii) second, Preferred D Registrable Securities allocated among the Holders of the Preferred D Registrable Securities, pro rata, according to the number of Preferred D Registrable Securities of each such Holder of Preferred D Registrable Securities requested to be included in the registration, in a number up to 30% of the aggregate number of shares to be registered in the Demand; (ii) third, Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities, allocated among the Holders of the Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities pro rata, according to the number of Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities requested to be included in the registration; (iii) fourth, securities which the Company wishes to register on its own behalf, and (iv) fifth, any other securities of the Company; (B) in the event that

the Demand is not a Preferred E Shareholders Demand — (i) first, Preferred D Registrable Securities allocated among the Holders of the Preferred D Registrable Securities, pro rata, according to the number of Preferred D Registrable Securities of each such Holder of Preferred D Registrable Securities requested to be included in the registration, in a number up to 30% of the aggregate number of shares to be registered in the Demand; (ii) second, Registrable Securities which are not Preferred D Registrable Securities, allocated among the Holders of the Registrable Securities which are not Preferred D Registrable Securities pro rata, according to the number of Registrable Securities which are not Preferred D Registrable Securities requested to be included in the registration, provided that the Holders of Preferred E Registrable Securities shall be entitled to include in such registration any number Preferred E Registrable Securities requested by them up to 10% of the aggregate number of shares to be registered in the Demand; (iii) third, securities which the Company wishes to register on its own behalf, and (iv) fourth, any other securities of the Company.

4.5. The Company shall not be required to effect any registration under this Section 4 within a period of one hundred and eighty (180) days following the effective date of a previous registration.

4.6. The Company shall not be required to effect more than two (2) registrations pursuant to a Preferred Shareholders Demand, not more than one (1) registration pursuant to a Preferred E Shareholders Demand and not more than one (1) registration pursuant to a Preferred D Shareholders Demand, under this Section 4, and shall not be required to effect any registration under this Section 4: (a) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, unless the Company is already subject to service in such jurisdiction and except as may be required under the Securities Act; or (b) if the Initiating Holders or the Preferred D Initiating Holders or the Preferred E Initiating Holders, as applicable, propose to dispose of Registrable Securities that may be immediately registered on Form F-3 or S-3 as applicable.

5. **INCIDENTAL REGISTRATION**

5.1. At any time following an IPO, if the Company at any time proposes to register any of its stock or other securities in connection with the public offering of such securities solely for cash (other than (i) a registration in connection with an IPO, (ii) a registration of securities to be offered by employees pursuant to an employee benefit plan on Form S-8, a registration in connection with an exchange offer or (iii) any acquisition or a registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), it shall give notice to the Holders of such intention. Upon the written request of any Holder given within twenty (20) days after receipt of any such notice, the Company shall use its best efforts to include in such registration all of the Registrable Securities, as the case may be, indicated in such request, so as to permit the disposition of the shares so registered. Such requests shall not be deemed as “Demand” registrations.

5.2. Notwithstanding any other provision of this Section 5, if the managing underwriter advises the Company in writing that marketing factors require a limitation of the number of shares to be underwritten, then the following shares shall participate in the registration, in the following order: (i) first, securities which the Company wishes to register for its own behalf; (ii) second, Preferred E Registrable Securities, allocated among the Holders of the Preferred E Registrable Securities pro rata, according to the number of Preferred E Registrable Securities of each such Holder of Preferred E

Registrable Securities requested to be included in the registration, in a number up to 30% of the aggregate number of shares registered in such registration; (iii) third, Preferred D Registrable Securities, allocated among the Holders of the Preferred D Registrable Securities pro rata, according to the number of Preferred D Registrable Securities of each such Holder of Preferred D Registrable Securities requested to be included in the registration, in a number up to 30% of the aggregate number of shares registered in such registration for the benefit of any party other than the Company; (iv) fourth, Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities allocated among the Holders of Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities, pro rata, according to the number of Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities requested to be included in the registration; and (v) fifth, any other securities of the Company. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 5 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration.

5.3. In connection with any offering involving an underwriting of securities being issued by the Company, the Company shall not be required under Section 5 to include any of Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it, and then only in such quantity, if any, as will not, in the opinion of the underwriters, jeopardize or reduce the success of the offering by the Company (subject to Section 5.2).

6. **FORM F-3 OR S-3 REGISTRATION**

6.1. As of the closing of the IPO, the Company shall use its best efforts to qualify for registration on Form F-3 or S-3 as applicable. After the Company has qualified for the use of Form F-3 or S-3, the Holders shall have the right to request registrations on Form F-3 or S-3 as applicable in addition to any right to demand registration under Section 4 and to any right to register shares under Section 5 provided that each such registration on form F-3 or S-3 as applicable generates proceeds of at least US$2,000,000. Such requests shall be in writing and shall state the number of Registrable Securities to be disposed of and the intended method of disposition of such shares by the Holders. Such requests shall not be deemed as "Demand" registrations.

6.2. The Company shall give written notice to all Holders of the receipt of a request for registration pursuant to this Section 6 and shall permit other Holders to participate in the registration upon their request submitted within fifteen (15) days after receipt of notice from the Company, and the Company will use its best efforts to effect promptly the registration of all Registrable Securities on Form F-3 or S-3 as applicable, to the extent requested by the Holders for purposes of disposition.

6.3. Notwithstanding any other provision of this Section 6, if the managing underwriter advises the Company in writing that marketing factors require a limitation of the number of shares to be underwritten pursuant to this Section 6, then the following shares shall participate in the registration, in the following order: (i) first, Preferred E Registrable Securities, allocated among the Holders of the Preferred E Registrable Securities pro rata, according to the number of Preferred E Registrable Securities of each such Holder of Preferred E Registrable Securities requested to be included in the registration, in a number up to 30% of the aggregate number of shares registered in such registration; (ii) second, Preferred D Registrable Securities, allocated among the Holders of the Preferred D Registrable Securities pro rata, according to the number of

Preferred D Registrable Securities of each such Holder of Preferred D Registrable Securities requested to be included in the registration, in a number up to 30% of the aggregate number of shares registered in such registration for the benefit of any party other than the Company; (iii) third, Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities allocated among the Holders of Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities, pro rata, according to the number of Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities requested to be included in the registration; (iv) fourth, securities which the Company wishes to register for its own behalf; and (v) fifth, any other securities of the Company.

6.4. The Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 6, (i) if Form F-3 or S-3 as applicable is not available for such offering by the Holders; (ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than two million United States dollars ($2,000,000); (iii) if the Company shall furnish to the Holders a certificate signed by the CEO or Chairman of the Board of Directors stating that in the good faith judgment of the Board of Directors of the Company it would be seriously detrimental to the Company and to its shareholders for such Form F-3 or S-3 as applicable registration statement to be effected at such time, in which event the Company shall have the right to defer the filing of the Form F-3 or S-3 as applicable registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 6; provided, however, that the Company shall not utilize this right more than once in any twelve (12) month period; (iv) if the Company has, within the twelve (12) month period preceding the date of such request, already effected two (2) registrations on Form F-3 or S-3 as applicable for the Holders pursuant to this Section 6; (v) during the period starting with the date thirty (30) days prior to the Company's estimated date of filing of, and ending on the date three (3) months immediately following the effective date of, any registration statement pertaining to securities of the Company (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), provided that the Company is actively employing in good faith reasonable efforts to cause such registration statement to become effective and that the Company's estimate of the date of filing such registration statement is made in good faith; or (vi) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

6.5. Subject to the aforesaid in this Section 6, the Holders shall be entitled to request from the Company to effect an unlimited number of registrations pursuant to this Section 6.

7. **OBLIGATIONS OF THE COMPANY**

Whenever required under this Agreement to file a registration statement with respect to the Registrable Securities, the Company shall use its best efforts to, as expeditiously as reasonably possible:

7.1. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and keep such registration statement current and effective for up to 6 months, provided, however, that the Company may suspend sales at any time under the

registration statement immediately upon notice to the selling Holders or their assigns for a period of time not to exceed in the aggregate 90 days during any 12 month period, if there then exists material, non-public information relating to the Company which, in the reasonable good faith opinion of the board of directors of the Company, would be materially detrimental to the Company to disclose during that time; provided, further, that such 6-month period shall be extended for a period equal to the time that the Holders refrain from selling any securities included in such registration at the request of an underwriter or the Company.

7.2. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the period set forth in 7.1 above.

7.3. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

7.4. Register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holders.

7.5. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement with terms generally satisfactory to the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement

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

7.7. Cause all Registrable Securities registered pursuant thereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

7.8. Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities not later than the effective date of such registration.

7.9. Furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Agreement, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Agreement, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the Holder and to the underwriters, if any, and (ii) a letter dated such date, from the independent certified public accounts of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the Holder and the underwriters, if any.

8. **INFORMATION**

It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement that the selling Holders shall furnish to the Company (i) such information regarding themselves, the Registrable Securities held by them, and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities, and (ii) a certificate as provided for in Section 11 below.

9. **EXPENSES OF REGISTRATION**

All expenses incurred by the Company in connection with any registration pursuant to this Agreement (other than underwriter's commissions, discounts and fees or any fees of others employed by a selling Holder, but including the reasonable fees of one counsel chosen by the majority in interest of selling Holders), including without limitation all registration, filing and qualification fees, printers' and accounting fees and fees and disbursements of counsel for the Company, shall be borne by the Company.

10. **UNDERWRITING REQUIREMENTS**

10.1. In connection with any offering involving an underwriting of securities being issued by the Company, the Company shall not be required under Sections 4 or 5 to include any of the Holders securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company (in the event of incidental registration) or the Initiating Holders or the Preferred D Initiating Holders or the Preferred E Initiating Holders, as applicable (in the event of registration required under Sections 4 or 6) and the underwriters.

10.2. In the case of any registration effected pursuant to Sections 4 or 6, the Initiating Holders or the Preferred D Initiating Holders or the Preferred E Initiating Holders, as applicable, shall have the right to designate the managing underwriter(s) in any underwritten offering, provided that such managing underwriter(s) shall be either one of the Lead Underwriter or Co-Manager in the Company's IPO or an underwriter which is among the 20 leading underwriting firms as measured by underwriting revenues in the preceding year.

10.3. In the case of any registration initiated by the Company, the Company shall have the right to designate the managing underwriter in any underwritten offering.

11. **INDEMNITIES**

In the event any Registrable Securities are included in a registration statement under this Agreement:

11.1. To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the officers and directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the 1934 Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the 1934 Act or any state securities law or regulation, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a **"Violation"**): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements

thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the 1934 Act, any state securities law or any rule or regulation promulgated under the Securities Act, the 1934 Act or any state securities law; and the Company will reimburse each such Holder, officer or director, underwriter or controlling person, for any legal or other expenses reasonably incurred by them in a connection with investigating, preparing to defend, defending against, or appearing as a third party witness in connection with any such loss, claim, damage, liability, action or proceeding; provided, however, that the indemnity agreement contained in this Section 11.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished in a certificate expressly for use in connection with such registration by any such Holder, underwriter or controlling person. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the selling shareholder, the underwriter or any controlling person of the selling shareholder or the underwriter, and regardless of any sale in connection with such offering by the selling shareholder.

11.2. To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors and officers, any underwriter (as defined in the Securities Act) for the Company, each person, if any, who controls the Company or any such underwriter within the meaning of the Securities Act or the 1934 Act, and any Holder selling securities in such registration statement or any of its directors of officers or any person who controls such Holder against any losses, claims, damages, or liabilities (or actions in respect thereto) which arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder in a certificate expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, any person who controls the Company, any underwriter or controlling person of any such underwriter, any other such Holder, officer, director, or controlling person in connection with investigating, preparing to defend, defending against, or appearing as a third party witness in connection with any such loss, claim, damage, liability, action or proceedings; provided, however, that the indemnity agreement contained in this Section 11.2 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld), and provided further that the obligations of each selling Holder hereunder shall be limited to an amount equal to the proceeds of each such selling Holder of the shares sold by such selling Holder pursuant to such registration. Promptly after receipt by an indemnified party under this Section 11 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 11, notify the indemnifying party in writing of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties. The failure to notify an indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any

liability that it may have to any indemnified party otherwise than under this Section 11.

11.3. In the event that the defendants in any action include both the indemnified party and the indemnifying party for purposes of this Section 11, and there is a conflict of interests which would prevent counsel for the indemnifying party from also representing the indemnified party, the indemnified party or parties shall have the right to select one separate counsel to participate in the defense of such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party's election to so assume the defense thereof, the indemnifying party will not be liable to such indemnified party pursuant to the provisions of said Sections 11.1. or 11.2 for any legal or other expense subsequently incurred by such indemnified party, solely in connection with the defense thereof, unless (i) the indemnified party shall have employed counsel in accordance with the provision of the preceding sentence, (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after the notice of the commencement of the action and within 15 days after written notice of the indemnified party's intention to employ separate counsel pursuant to the previous sentence, or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party. No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

11.4. The indemnification obligations of the Company and each Holder pursuant to this Section 11 shall survive a transfer of Registrable Securities by such Holder. Such survival shall apply only to any indemnification obligations arising prior to the time of such transfer, but, for the avoidance of doubt, may be enforced subsequent to such transfer. The provision of any applicable underwriting agreement shall prevail over this Section 11, if requested by the underwriters.

12. **REPORTS UNDER THE 1934 ACT**

If the Company is a Public Corporation, and only as long as it remains a Public Corporation, then with a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration form which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC, the Company agrees for the term of this Agreement, to:

12.1. Make and keep public information available, as those terms are understood and defined in SEC Rule 144;

12.2. File with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the 1934 Act and comply with all other necessary filings and other requirements so as to enable the Holders and any transferee thereof to sell Registrable Securities under Rule 144 under the Securities Act (or similar rule then in effect); and

12.3. Furnish to any Holder so long as the Holder owns any Registrable Securities forthwith upon its request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after it has become subject to such

reporting requirements), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC permitting the selling of any such securities without registration or pursuant to such form.

13. **LOCK-UP**

All Holders agree to abide by such customary "Lock Up" period as shall be required by the underwriter of any registration of shares.

14. **ASSIGNMENT OF REGISTRATION RIGHTS**

Any of the Holders may assign its rights to cause the Company to register shares pursuant to these Registration Rights provisions to a transferee of all or any part of its Registrable Securities. The transferor shall, within twenty (20) days after such transfer, furnish the Company with written notice of the name and address of such transferee and the securities with respect to which such registration rights are being assigned, and the transferee's written agreement to be bound by this Agreement.

15. **SUBSEQUENT RIGHTS; AMENDMENTS**

The Company shall not, without the consent of the Holders holding a majority of the Preferred E Registrable Securities, grant registration rights on a basis equal to or more favorable than the registration rights granted to the Holders of the Preferred E Registrable Securities herein. In addition the Company shall not, without the consent of the Holders holding a majority of the Preferred D Registrable Securities, grant registration rights on a basis equal to or more favorable than the registration rights granted to the Holders of the Preferred D Registrable Securities herein. In addition, the Company shall not, without the consent of the Holders holding a majority of the Registrable Securities which are not Preferred D Registrable Securities or Preferred E Registrable Securities, grant registration rights on a basis equal to or more favorable than the registration rights granted herein to the Holders of the Registrable Securities, which are not Preferred D Registrable Securities or Preferred E Registrable Securities.

16. **REGISTRATIONS OUTSIDE THE US**

The provisions of this Agreement shall also apply in connection with any registration, listing or public offering of the Company's securities outside of the U.S., mutatis mutandis.

17. **TERM AND TERMINATION**

The registration rights of the Preferred Shareholders pursuant to Sections 4-6 hereunder shall terminate upon the earlier of (i) five years after an IPO; or (ii) with respect to a Holder, when the Company's shares are publicly traded and all shares of such Preferred Shareholder can be sold in any 90-day period under SEC Rule 144, or comparable rule in the country registered, if not subject to SEC, whichever occurs first.

18. **MISCELLANEOUS**

18.1. Each of the parties hereto shall perform such further acts and execute such further documents as may reasonably be necessary to carry out and give full effect to the provisions of this Agreement and the intentions of the parties as reflected thereby.

18.2. Any notice under this Agreement shall be in writing and shall be deemed to have been duly given for all purposes (a) when received or seven (7) days after it is mailed by prepaid registered mail; (b) upon the transmittal thereof by facsimile; or (c) upon the manual delivery thereof, to the respective addressee or fax numbers set forth below or to such other address of which notice as aforesaid is actually received:

Company	At the addresses set forth in the preface above; with a copy (which does not constitute a service of process) to: Ori Rosen, Adv. Ori Rosen & Co., Law Offices 1 Azrieli Center (Round Building), Tel-Aviv 67021, Israel Facsimile: (972-3) 607-4700 Telephone: (972-3) 607-4701 email: ori@rosenlaw.co.il
Preferred Shareholders	At the addresses set forth in **Exhibit I**, **Exhibit II**, **Exhibit III**, **Exhibit IV** or **Exhibit V**.

If a notice is, in fact, received by the addressee, then it shall be deemed to have been duly served, when received, notwithstanding it having been defectively addressed or failed in some other respect, to comply with the provisions of this Section 18.2.

18.3. The rights and duties of each Preferred Shareholder as set forth herein may be freely assigned, in whole or in part, by such Preferred Shareholder upon the transfer by it of shares of the Company, subject only to the limitations, if any, applying to the transfer of shares by such Preferred Shareholder, as set forth in the Articles of Association, and provided that the transferee agrees in writing to be bound by the terms and conditions of this Agreement. For the avoidance of doubt, each Preferred Shareholder may transfer its shares of the Company to any of its Permitted Transferees (as defined in the Articles of Association of the Company). This Agreement and the Schedules hereto, and the Schedules and Exhibits to such Schedules constitute the full and entire understanding and agreement between the parties with regard to the subject matters hereof and thereof and for the avoidance of doubt, replace and supersede any previous agreements between all of or certain of the parties hereto with respect to registration rights, information and access rights and obligations of the Company with regard to maintaining a system of accounting established and administered in accordance with US GAAP and amends and restates the Prior Agreement in its entirety. A party may waive any of its rights hereunder provided, however, that such waiver shall be in writing and shall apply only to such party's rights hereunder.

18.4. This Agreement shall be governed by and construed in accordance with the internal substantive laws of the State of Israel, and the parties hereby consent and submit to the exclusive jurisdiction of the competent courts of Tel-Aviv Israel over all matters relating to this Agreement.

18.5. Unless specifically set forth otherwise, any term of this Agreement may be amended, terminated or waived (prospectively or retroactively), in writing, by the Company and the holders of the majority of the Registrable Securities then outstanding, unless such amendment, termination or waiver is applied in a disproportional manner to a class(es) of Preferred Shares of the Company, in which case the written consent of the holders of the majority of such class(es) of Preferred Shares shall be required. The above

notwithstanding, any of the following amendments to this Agreement shall require the written consent of the effected party to this Agreement: (i) an amendment to the confidentiality undertakings set forth in Section 2.3 hereof; (ii) the addition of a new undertaking to this Agreement the subject matter of which is not related to registration rights or a Preferred Shareholder's information rights set out in Section 2.1 or 2.2; and (iii) an amendment imposing an additional monetary or financial undertaking on a party hereto.

18.6. No delay or omission to exercise any right, power, or remedy accruing to any party upon any breach or default under this Agreement, shall be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any of the parties, shall be cumulative and not alternative. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable under applicable law, then such provision shall be excluded from this Agreement and the remainder of this Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms; provided, however, that in such event this Agreement shall be interpreted so as to give effect, to the greatest extent consistent with and permitted by applicable law, to the meaning and intention of the excluded provision as determined by such court of competent jurisdiction.

18.7. The headings of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

18.8. At any time and from time to time, each party agrees, without further consideration, to take such actions and to execute and deliver such documents as may be reasonable necessary to effect the purposes of this Agreement.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and enforceable against the parties actually executing such counterpart, and all of which together shall constitute one and the same instrument. Executed counterparts delivered via any form of electronic transmission shall be deemed as originals.

[Signature Pages Follow]

[First Signature Page to Allot Second Amended and Restated Investors Rights Agreement]

IN WITNESS WHEREOF the parties have signed this **Investors Rights Agreement** as of the date first set forth above.

Allot Communication Ltd.

By:	Adi Sapir
Title:	CFO
Signature:	/s/ Adi Sapir

BancBoston Investments Inc.

By:	Edward J. McCoffrey
Title:	President
Signature:	/s/ Edward J. McCoffrey

Gemini Israel II LP

By:	[Illegible]	[Illegible]
Title:	CFO, General Partner	Managing Partner
Signature:	/s/[Illegible]	/s/[Illegible]

Gemini Israel II Parallel Fund LP

By:	[Illegible]	[Illegible]
Title:	CFO, General Partner	Managing Partner
Signature:	/s/[Illegible]	/s/[Illegible]

Gemini Partner Investors LP

By:	[Illegible]	[Illegible]
Title:	CFO, General Partner	Managing Partner
Signature:	/s/[Illegible]	/s/[Illegible]

Advent PGGM Gemini LP

By:	[Illegible]	[Illegible]
Title:	CFO, General Partner	Managing Partner
Signature:	/s/[Illegible]	/s/[Illegible]

Tamir Fishman Venture Capital II Ltd.

By:	[Illegible]
Title:	[Illegible]
Signature:	/s/[Illegible]

Tamir Fishman Ventures II (Cayman Islands) LP

By:	[Illegible]
Title:	[Illegible]
Signature:	/s/[Illegible]

Tamir Fishman Ventures II CEO Funds (U.S) LP

By:	[Illegible]
Title:	[Illegible]
Signature:	/s/[Illegible]

Tamir Fishman Ventures II LP

By:	[Illegible]
Title:	[Illegible]
Signature:	/s/[Illegible]

Tamir Fishman Ventures II CEO Funds LP

By:	[Illegible]
Title:	[Illegible]
Signature:	/s/[Illegible]

Tamir Fishman Ventures II (Israel) LP

By:	[Illegible]
Title:	[Illegible]
Signature:	/s/[Illegible]

[Second Signature Page to Allot Second Amended and Restated Investors Rights Agreement]

IN WITNESS WHEREOF the parties have signed this **Investors Rights Agreement** as of the date first set forth above.

Peter Grant

Signature: /s/ Peter M. Grant

DRW Venture Partners LP

By: Tony Mayhew
Title: Vice President
Signature: /s/ Tony Mayhew

Partech International Growth Capital I LLC

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Partech International Growth Capital III LLC

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

AXA Growth Capital II L.P.

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Double Black Diamond II LLC

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Multivest LLC

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

Samro NV

By: [Illegible]
Title: [Illegible]
Signature: /s/ [Illegible]

CBS IMMO II NV

By: H. Brachfeld
Title: Director
Signature: /s/ H. Brachfeld

Jerusalem Venture Partners IV LP

By: Erel Margalit
Title:
Signature: /s/ Erel Margalit

Jerusalem Venture Partners IV-A LP

By: Erel Margalit
Title:
Signature: /s/ Erel Margalit

Jerusalem Venture Partners Entrepreneurs Fund IV LP

By: Erel Margalit
Title:
Signature: /s/ Erel Margalit

Jerusalem Venture Partners IV (Israel) LP

By: Erel Margalit
Title:
Signature: /s/ Erel Margalit

[Third Signature Page to Allot Second Amended and Restated Investors Rights Agreement]

IN WITNESS WHEREOF the parties have signed this **Investors Rights Agreement** as of the date first set forth above.

Signature: /s/ Yosi Elihav

Signature: /s/ Shlomo Shimshowitz

Signature: /s/ Amos Fouzailov

Signature: /s/ Leonard Lehmann

Tamar Technology Investors (Israel) LP
By: [Illegible]
Title: Managing GP
Signature: /s/ Illegible

Genesis Partners I LP
By: Dr. Eyal Kishon
Title: Founder and Managing Partner
Signature: /s/ Eyal Kishon

Genesis Partners (Cayman) LP
By: Dr. Eyal Kishon
Title: Founder and Managing Partner
Signature: /s/ Eyal Kishon

Odem Rotem Holdings Ltd.
By: Yigal Jacoby
Title: President
Signature: /s/ Yigal Jacoby

Signature: /s/ Ephraim Elihav

Signature: /s/ Eitan Mossauoff

NJI No. 3 Investment Fund
By: Chew Cheng Keat
Title: Attorney
Signature: /s/ Chew Cheng Keat

Tamar Technology Investors (Delaware) LP
By: [Illegible]
Title: Managing GP
Signature: /s/ Illegible

Yigal Jacoby
Signature: /s/ Yigal Jacoby

Exhibit I

The Preferred A Shareholders

Name	Address
Odem Rotem Holdings LTD/Yigal Jacoby (held in trust by ORO Trust Company Ltd.)	9 Nordau St., Ra'anana 43200, Israel
Genesis Partners I LP	11 Hamenofim St., Hertzlia 46725, Israel
Genesis Partners (Cayman) LP	11 Hamenofim St., Hertzlia 46725, Israel
Gemini Israel II LP	9 Hamenofim St., Hertzlia 46725, Israel
Gemini Israel II Parallel Fund LP	9 Hamenofim St., Hertzlia 46725, Israel
Gemini Partner Investors LP	11 Galgalai Haplada St., Hertzlia, 46722, Israel
Advent PGGM Gemini LP	9 Hamenofim St., Hertzlia 46725, Israel
Jerusalem Venture Partners IV LP	7 West 22nd St., 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners IV-A LP	7 West 22nd St., 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners Entrepreneurs Fund IV LP	7 West 22nd St., 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners IV (Israel) LP	Jerusalem Technology Park, Building 1, Malha, Jerusalem 91487, Israel

Exhibit II

The Preferred B Shareholders

Name	Address
Yigal Jacoby	9 Nordau St., Ra'anana 43200, Israel
Elihav Yosi	16 Rosen St., Ramat Gan 52224, Israel
Elihav Ephraim	4 Hegefen St., Rosh Ha'ayin 48570, Israel
Shlomo Shimshowitz	24 Havatzelet Hasharon St., Hertzlia 46641, Israel
Eitan Mossauoff	17 Disnechis St., Tel-Aviv 69353, Israel
Amos Fouzailov	9 Hazait St., Kfar Shmariho 46910, Israel
NJI No. 3 Investment Fund	6 Battery Rd.#42-01, Singapore, 049909
BancBoston Investments Inc.	Victory St., London SWIH OED, England
Leonard Lehmann	2237 Waverley St., Palo Alto, USA
Tamar Technology Investors (Delaware) LP	50 Ramat Yam St., Hertzlia 46851, Israel
Tamar Technology Investors (Israel) LP	50 Ramat Yam St., Hertzlia 46851, Israel
Genesis Partners I LP	11 Hamenofim St., Hertzlia 46725, Israel
Genesis Partners (Cayman) LP	11 Hamenofim St., Hertzlia 46725, Israel
Gemini Israel II LP	9 Hamenofim St., Hertzlia 46725, Israel
Gemini Israel II Parallel Fund LP	9 Hamenofim St., Hertzlia 46725, Israel
Gemini Partner Investors LP	9 Hamenofim St., Hertzlia 46725, Israel
Advent PGGM Gemini LP	9 Hamenofim St., Hertzlia 46725, Israel
Samro NV	12 Einstein St., Hertzlia 46749, Israel
CBS IMMO II N.V	1/7 Scupstraat, Antwerp, Belgium
Jerusalem Venture Partners IV LP	7 West 22nd St., 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners IV-A LP	7 West 22nd St., 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners Entrepreneurs Fund IV LP	7 West 22nd St., 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners IV (Israel) LP	Jerusalem Technology Park, Building 1, Malha, Jerusalem 91487, Israel
Tamir Fishman Venture Capital II Ltd.	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II (Cayman Islands) LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II CEO Funds (U.S) LP	c/o Tamir Fishman Venture Capital II Ltd.
Tamir Fishman Ventures II LP	c/o Tamir Fishman Venture Capital II Ltd.
Tamir Fishman Ventures II CEO Funds LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II (Israel) LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Peter Grant	60 South 6th St., Minneapolis, USA

Exhibit III

The Preferred C Shareholders

Name	Address
BancBoston Investments Inc.	Victory St., London SWIH OED, England
Samro NV	12 Einstein St., Hertzlia 46749, Israel
CBS IMMO II N.V	1/7 Scupstraat, Antwerp, Belgium
Jerusalem Venture Partners IV LP	7 West 22nd St. 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners IV-A LP	7 West 22nd St. 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners Entrepreneurs Fund IV LP	7 West 22nd St. 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners IV (Israel) LP	Jerusalem Technology Park, Building 1, Malha, Jerusalem 91487, Israel
Tamir Fishman Venture Capital II Ltd.	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II (Cayman Islands) LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II CEO Funds (U.S) LP	c/o Tamir Fishman Venture Capital II Ltd.
Tamir Fishman Ventures II LP	c/o Tamir Fishman Venture Capital II Ltd.
Tamir Fishman Ventures II CEO Funds LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II (Israel) LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
DRW Venture Partners LP	c/o RBC Capital Markets — Global Equity, 60 South 6th St., Mail Stop P17, Minneapolis, MN 55402, USA

Exhibit IV

The Preferred D Shareholders

Name	Address
BancBoston Investments Inc.	Victory St., London SWIH OED, England
Gemini Israel II LP	9 Hamenofim St., Hertzlia 46725, Israel
Gemini Israel II Parallel Fund LP	9 Hamenofim St., Hertzlia 46725, Israel
Gemini Partner Investors LP	9 Hamenofim St., Hertzlia 46725, Israel
Advent PGGM Gemini LP	9 Hamenofim St., Hertzlia 46725, Israel
Tamir Fishman Venture Capital II Ltd.	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II (Cayman Islands) LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II CEO Funds (U.S) LP	c/o Tamir Fishman Venture Capital II Ltd.
Tamir Fishman Ventures II LP	c/o Tamir Fishman Venture Capital II Ltd.
Tamir Fishman Ventures II CEO Funds LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II (Israel) LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Peter Grant	60 South 6th St., Minneapolis, USA
Partech International Growth Capital I LLC	Ugland House South Church St. Georgetown, Grand Cayman, Cayman Islands
Partech International Growth Capital III LLC	Ugland House South Church St. Georgetown, Grand Cayman, Cayman Islands
AXA Growth Capital II LP	Clarendon House 2 Church St. P.O. Box HM 666 Hamilton HM CX, Bermuda
Double Black Diamond II LLC	Ugland House South Church St. Georgetown, Grand Cayman, Cayman Islands
Multivest LLC	Ugland House South Church St. Georgetown, Grand Cayman, Cayman Islands

Exhibit V

The Preferred E Shareholders

Name	Address
Tamir Fishman Venture Capital II Ltd.	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II (Cayman Islands) LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II CEO Funds (U.S) LP	c/o Tamir Fishman Venture Capital II Ltd.
Tamir Fishman Ventures II LP	c/o Tamir Fishman Venture Capital II Ltd.
Tamir Fishman Ventures II CEO Funds LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Tamir Fishman Ventures II (Israel) LP	Tamir Fishman Group, Platinum Tower, 21 Ha'arbaa St., Tel-Aviv 64739, Israel
Partech International Growth Capital I LLC	Ugland House South Church St. Georgetown, Grand Cayman, Cayman Islands
Partech International Growth Capital III LLC	Ugland House South Church St. Georgetown, Grand Cayman, Cayman Islands
AXA Growth Capital II LP	Clarendon House 2 Church St. P.O. Box HM 666 Hamilton HM CX, Bermuda
Double Black Diamond II LLC	Ugland House South Church St. Georgetown, Grand Cayman, Cayman Islands
Multivest LLC	Ugland House South Church St. Georgetown, Grand Cayman, Cayman Islands
Jerusalem Venture Partners IV LP	7 West 22nd St., 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners IV-A LP	7 West 22nd St., 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners Entrepreneurs Fund IV LP	7 West 22nd St., 7th Floor, New York, NY 10010, USA
Jerusalem Venture Partners IV (Israel) LP	Jerusalem Technology Park, Building 1, Malha, Jerusalem 91487, Israel
Shlomo Shimshowitz	24 Havatzelet Hasharon St., Hertzlia 46641, Israel
Eitan Mossauoff	17 Disnechis St., Tel-Aviv 69353, Israel
Amos Fouzailov	9 Hazait St., Kfar Shmariho 46910, Israel

Exhibit 10.4

NON-COMPETITION AGREEMENT

This agreement (the "**Agreement**") is made by and between, Odem Rotem Holdings Ltd. ("**Odem**") and **Yigal Jacoby** ("**Jacoby**") on one side and **Allot Communications Ltd.** (Company Number 51-239477-6) (the "**Company**") on the other side. Odem, Jacoby and the Company shall be hereinafter referred to as the "**Parties**".

WHEAREAS: Odem entered into a consulting agreement with the Company dated December 31, 2001 (the "**Consulting Agreement**"); and

WHEREAS, according to section 1.2 of the Consulting Agreement, all consulting services shall be provided at all times, solely by Jacoby; and

WHEAREAS: in order to enable the Company to effectively protect its proprietary information, the Company wishes to enter into this non-competition and waiver Agreement with Odem and Jacoby; and

WHEAREAS: subject to the terms and conditions set forth herein, Odem and Jacoby wish to enter into this non-competition and waiver agreement with the Company;

NOW THEREFORE, the Parties, intending to be legally bound, hereby agree as follows:

1. Preamble and Captions.

   1.1. The preamble to this Agreement shall be deemed an integral part thereof.

   1.2. Except as set forth herein, all provisions, terms and conditions of the Consulting Agreement, as amended or replaced from time to time, shall remain in full force and effect. In the event of any ambiguity or discrepancy between the provisions of this Agreement and the Consulting Agreements, the terms of this Agreement shall prevail, and the Consulting Agreement shall be deemed to have been amended and restated accordingly. Specifically, the provisions of Section 2 below shall replace and supersede the non-competition provisions of the Consulting Agreement.

2. Non-Competition.

   In order to enable the Company to effectively protect its Proprietary Information, Jacoby and Odem (for the purpose of this Section 2 and Section 3, Odem and Jacoby shall be referred to together, jointly and severally, as Jacoby) agree and undertake that:

2.1. Jacoby will not, without the Company's prior written consent, during the term of the Consulting Agreement and for a period of twelve (12) months following termination thereof, for whatever reason, directly or indirectly, as owner, partner, joint venturer, stockholder, employee, service provider, broker, agent, principal, corporate officer, director, licensor or in any other capacity whatever engage in, become financially interested in, be employed by, or have any connection with any business or venture that is engaged in any activities competing with products or services offered by the Company during the period in which Jacoby has provided consulting services to the Company, or which the Company actually plans, at any time prior to the termination date of the Consulting Agreement, to offer or produce within a reasonable time following such termination; provided, however, that Jacoby may own securities of any company which is engaged in such business and is publicly owned and traded but in an amount not to exceed at any one time one percent of any class of stock or securities of such company, so long as Jacoby has no active role in the publicly owned and traded company as director, employee, consultant or otherwise.

2.2. During the term of Jacoby's Consulting Agreement with the Company and for a period of 12 months following its termination, he will not, without the Company's prior written consent (i) directly or indirectly, including personally or through any business in which he is an officer or director or shareholder holding more than 5 of outstanding shares of such business, for any purpose or in any place, employ, solicit for employment, induce, encourage to be employed or attempt to solicit, induce or encourage any person who was employed by the Company or retained by the Company as a consultant, and who is subject to an undertaking towards the Company to refrain from engagement in activities competing with the activities of the Company, on the date of such termination or during the preceding six months or otherwise encourage any such employee to leave his/her employment with the Company, either for himself or for any other person or entity; or (ii) solicit from the clients of the Company any business in competition with the Company that involves activities in which the Company is engaged on the date of such termination or was engaged during the preceding 12 months.

2.3. Jacoby specifically acknowledges, stipulates and agrees as follows: (i) the protective covenants set forth herein are reasonable and necessary to protect the goodwill, property and proprietary information of the Company, and the operations and business of Company; and (ii) the time duration of the

protective covenants is reasonable and necessary to protect the goodwill and the operations and business of Company, and does not impose a greater restrain than is necessary to protect the goodwill or other business interests of Company. Nevertheless, if any one or more of the terms contained in this Section 2 shall for any reason be held to be excessively broad with regard to time, geographic scope or activity, the term shall be construed in a manner to enable it to be enforced to the extent compatible with applicable law.

3. Notwithstanding the aforesaid in section 2 herein but without derogating from any confidentiality obligations and fiduciary duties of Jacoby towards the Company pursuant to the provisions of any applicable law, the Company acknowledges that Jacoby may, in the future, hold the position of an executive in a venture capital fund involved in investments in companies similar to the Company, and that Jacoby may serve as a director in one or more such portfolio companies, and in the event that he does serve as a director in one or more such portfolio companies, his position as a director and his activities in his capacity as a director shall not be regarded as a breach of the provisions of this Agreement. For the avoidance of doubt, employment by or solicitation of employees and/or consultants of the Company or solicitation of business opportunities (as set forth in Section 2.2 above) by a company in which Jacoby is a director or a shareholders shall not be deemed, by itself, as a breach of this Agreement if Jacoby was not actively involved in such employment or solicitation.

4. Miscellaneous

4.1. Survival. The provisions of Sections 2 and 3, of this Agreement shall survive the termination of the Consulting Agreement, regardless of the reason for the termination thereof.

4.2. Amendments. Any and all changes, amendments or additions to this Agreement shall require the prior written consent of all Parties, or else they shall be deemed null and void.

4.3. Applicable Law. This Agreement shall be governed exclusively by and construed solely in accordance with, the laws of the State of Israel, without regard to conflict of law principles thereof.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date first written above.

Yigal Jacoby

Signature: /s/ Yigal Jacoby

By: Yigal Jacoby

Address: Nordan 9 Ranana

Fax:

Odem Rotem Holdings Ltd. Signature:
/s/ Yigal Jacoby

By: Yigal Jacoby

Address: c/o Yigal Jacoby at the
address set forth above

Fax:

Date: August 24, 2004

Allot Communications Ltd.

Signature: /s/ Adi Sapir

By: Adi Sapir - CFO

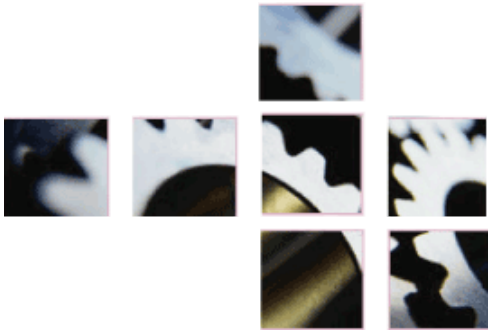
Address: 5 Hanagar Street

Fax: 972-9-746 9647

Date: August 24, 2004

Exhibit 10.5

Training Development
for Allot



To: **Debbie Jaffa – Knowledge Management and Training Manager**
Allot

From: **Anat Jacoby – Managing Director**
ExperTeam

March 2006

Background

Allot is interested in training development of instructor's kits, training kits and other instructional design work.

ExperTeam specializes in technical writing, marketing writing and technical training development. We are happy to provide you with our proposal and look forward to working with you.

Scope of Project

Efrat Pais and other ExperTeam employees as needed will provide Allot with training development work on an hourly basis in the scope of about 20 hours per week.

Proposal

200 NIS an hour

Terms of Payment

Prices do not include VAT.
Hours to be reported at the end of each month, to be paid within 30 days.

Please don't hesitate to contact us with any further questions.

Regards,
Anat Jacoby, Ph.D.
Managing Director
ExperTeam

Exhibit 10.6

EXHIBIT 2.3

Escrow Agreement

This ESCROW AGREEMENT (this "**Agreement**") is entered into as of January __, 1998, by and among **Allot Communications Ltd.**, an Israeli company (registered no. 51-239477 6) having its main place of business at Derech Hasharon 12, Kfar Saba 44269 (the "**Company**"), **Yigal Jacoby**, ID # 056810005, whose address is 9 Nordeau Street. Raanana (the "**Founder**"), and **Ravillan, Bentzur & Co.**, Law Offices, of 76 Rothschild Blvd Tel Aviv (the "**Escrow Agent**").

RECITALS

WHEREAS, the Company, the Founder and others have entered on January ___, 1998, into a Share Purchase and Shareholders Agreement (the "**Purchase Agreement**", all capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement), and

WHEREAS, pursuant to the Purchase Agreement, the Founder shall purchase, directly or indirectly, from the Company, and the Company shall issue to the Founder, at the Closing under the Purchase Agreement, 270,892 Ordinary Shares of the Company par value NIS 0.01 (the "**Jacoby Shares**"), in consideration of the payment to the Company by Founder of US$2.215 (two dollars and twenty one and one half cents) for each Ordinary Share, totaling US$600,000 (six hundred thousand US dollars) (the "**Purchase Price**"), and

WHEREAS, the Purchase Agreement provides that, notwithstanding the aforesaid, the Founder shall pay at Closing to the Company only the nominal value of the Jacoby Shares, with the remainder of the purchase price thereof to be paid in the future, if and when the Founder shall sell the Jacoby Shares, and to ensure such payment, the Jacoby Shares also be placed in escrow, all as set forth in an escrow agreement; and

WHEREAS, the Company and the Founder have requested Escrow Agent, and Escrow Agent has agreed, to hold the Jacoby Shares in escrow upon the terms and conditions set forth hereinbelow,

NOW, THEREFORE, in consideration of their mutual covenants and undertakings contained herein, and intending to be legally bound, the parties hereto hereby agree as follows:

1. Purpose of Agreement

   The sole purpose of this Agreement is to authorize and enable Escrow Agent to take and to hold the Jacoby Shares and to act with regard to such Jacoby Shares in accordance with the instructions set forth herein. The Escrow Agent shall be regarded at all times as a mere escrow agent with respect to his holding of the Jacoby Shares and, in such

capacity, shall have no beneficial right, title or interest in the Jacoby Shares or in dividends or distributions of any kind paid or made in respect of the Jacoby Shares, or in the proceeds of any sale, exchange or other disposition of the Jacoby Shares. The Jacoby Shares shall be conclusively deemed to be held by Escrow Agent on behalf of the Founder, subject to the provisions hereof.

2. Deposit of Jacoby Shares in Escrow: Rights and Actions; Transfer

2.1. At the Closing of the transaction pursuant to the Purchase Agreement, the Company shall issue to the Escrow Agent the Jacoby Shares and shall deliver to it share certificates representing the Jacoby Shares. The Escrow Agent shall hold such Shares and certificates in trust until such time that the same are either forfeited by the Company under Section 1 hereof or released from escrow under Section 5 hereof, all as herein provided.

2.1.1 Bonus Shares distributed in the Company in respect of the Jacoby Shares shall be issued to the Escrow Agent, who shall hold them until such time that the same are released from escrow as herein provided (all such bonus shares shall be treated hereunder identically to the Jacoby Shares to which they are attributable)

2.2. Notwithstanding the aforesaid, unless and until the Jacoby Shares are fully paid up and the Purchase Price has been fully paid to the Company.

2.2.1 The Escrow Agent shall not be entitled to receive notices of, or to attend, general meetings of the shareholders of the Company not to vote therein for any purpose on behalf of the Jacoby Shares having voting rights.

2.2.2 Neither the Founder nor the Escrow Agent shall be entitled, in respect of the Jacoby Shares, to any monetary or asset dividends, options or other distributions distributed to the shareholders of the Company.

2.2.3 In the event that an offer is made to the Escrow Agent by another shareholder in the Company (under right of first refusal provisions), or by the Company (under preemptive rights provisions), to purchase shares or other securities of the Company, neither the Founder nor the Escrow Agent shall be entitled, in respect of the Jacoby Shares, to accept such offer.

2.3. The Founder shall not be entitled to, and the Escrow Agent shall not act upon any instruction of the Founder in connection with, any sale, assignment, transfer, pledge, lien, the grant of any option or other right in or other disposal of (collectively, "**Transfer**") all or any part of the Jacoby Shares, unless the Escrow Agent is entitled, and shall take all action necessary to ensure, that as part of any such Transfer the Purchase Price shall be paid in full to the Company before

Jacoby receives any proceeds of such Transfer (a "**Permitted Transfer**"). Notwithstanding the aforesaid, the Founder shall not be entitled to, and the Escrow Agent shall not act upon any instruction of the Founder in connection with, any Transfer in breach of the Founder's undertaking pursuant to Section 752 of the Purchase Agreement.

3. Release of Jacoby Shares

3.1. Upon the payment by the Founder to the Company of the Purchase Price, the Company shall give written notice thereof to the Escrow Agent. When such notice is received by the Escrow Agent it shall deliver to the Founder an executed Share Transfer Deed and the appropriate share certificate relating to the Jacoby Shares together with all bonus shares received by it theretofore and attributable to such Shares. The Founder shall then submit the Share Transfer Deed and the appropriate share certificate to the Company and the Company shall register the transfer of such Shares and issue a replacement share certificate in the name of the Founder.

4. Termination Upon Liquidity Event Forfeiture

4.1. Notwithstanding anything to the contrary set forth herein, the Founder shall be obligated to pay to the Company the Purchase Price or have the Jacoby Shares forfeited, upon the consummation of (i) an IPO of the Company's securities, (ii) a merger of the Company with or into another entity, (iii) a consolidation or a similar reorganization or business combination of the Company, (iv) a sale of all or substantially all of the Company's issued and outstanding share capital, or (v) the issuance by the Company of more than 50% of its outstanding share capital, post issuance, on an as converted basis ("**Liquidity Event**").

4.2. If the Founder has not paid to the Company the Purchase Price upon the occurrence of a Liquidity Event, then the Company shall forfeit the unpaid Jacoby Shares in escrow with the Escrow Agent, together with all bonus shares received by it theretofore and attributable to such Shares.

5. Release of Escrow Agent

All responsibilities and obligations of the Escrow Agent under the terms of this Agreement shall terminate at such time as the Escrow Agent shall have delivered or made available to the Founder, or on his behalf, or to the Company for forfeiture, all Jacoby Shares or deeds or other documents required to transfer the Jacoby Shares to Jacoby or on his behalf or to forfeit the Shares, as applicable. Such termination of Escrow Agent's responsibilities and obligations shall not prejudice in any way or manner Escrow Agent's rights hereunder including under Sections 6–9 hereof.

6. Actions of Escrow Agent; Refusal to Act

6.1. The Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization or other document that the Escrow Agent believes to be genuine, provided, however, that Escrow Agent shall give all parties hereto prior written notice of at least seven days before it takes any action — or fails to act — based on such notice, document etc. The Escrow Agent may confer with legal counsel in the event the provisions hereof, or its duties hereunder, so require, and it shall incur no liability and it shall be fully protected in acting in accordance with the opinions and instructions of such counsel.

6.2. In the event of any disagreement resulting in adverse claims or demands being made by the parties to this Agreement in connection with any of the Jacoby Shares, or in the event that the Escrow Agent is in doubt as to what action it should take hereunder, the Escrow Agent may, at its option, refuse to comply with any claims or demands on it, or refuse to take any other action hereunder, so long as such disagreement continues or such doubt exists, and in any such event the Escrow Agent shall not be or become liable in any way or to any person for its failure or refusal to act, and the Escrow Agent shall be entitled to continue to so refrain from acting until (a) the rights of all parties have been fully and finally adjudicated by a court of competent jurisdiction, or (b) all differences shall have been adjudged or all doubt resolved by agreement among the parties to this Agreement and the Escrow Agent shall have been notified thereof in writing signed by such parties. In addition to the foregoing remedies, the Escrow Agent is hereby authorized, in the event of any doubt as to its course of action, to petition a court of competent jurisdiction for instructions. In any event, the Company hereby agrees to hold the Escrow Agent harmless from all liability or loss occasioned thereby and to pay any and all of its costs, expenses and attorneys' fees incurred in any such action, and agrees that on such petition or interpleader action the Escrow Agent, its servants, agents, employees and officers will be relieved of any further liability.

7. Action of Escrow Agent Not Conclusive

For the avoidance of doubt the parties hereto confirm that their mutual rights and obligations shall always be governed by the provisions of the Purchase Agreement, and that the action or inaction of the Escrow Agent hereunder, in any matter whatsoever, shall not change any of their substantive rights under the Purchase Agreement.

8. Fees, Reimbursement of Expenses

Escrow Agent shall be entitled to receive from the Company its fees, as shall be agreed upon between Escrow Agent and the Company, and reimbursement for all reasonable out-of-pocket expenses incurred by Escrow Agent in the performance of its services hereunder.

9. Indemnification

In connection with the performance of the escrow services hereunder (and of any other or additional escrow services which may be requested in the future), Escrow Agent shall not have or incur any liability whatsoever by reason of any act or omission of Escrow Agent, whether based upon mistake of fact or law, error of judgment, negligence or otherwise, on condition only that the said acts or omissions are in good faith, and the Company shall indemnify Escrow Agent and hold it harmless, against and from any and all loss, cost, liability, damage or expenses which it may incur by reason of any such act or omission on the condition aforesaid.

10. Resignation of Escrow Agent

Escrow Agent may resign at any time upon thirty (30) days prior written notice to the parties hereto. Upon the resignation to Escrow Agent, Escrow Agent shall transfer the Jacoby Shares to the escrow agent appointed to replace it or according to the written instructions of all parties hereto.

11. Miscellaneous

11.1. This Agreement may not be modified or amended except by mutual written agreement of all the parties hereto. However, a party hereto may waive the observance of any of the terms hereof in respect of his or its rights only.

11.2. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, provided, however, that Escrow Agent shall have no right to assign or transfer the Jacoby Shares or the Warrant Certificates to any party other than as specified in this Agreement.

1.1 Consistent with the terms and conditions hereof, each party hereto will execute and deliver such instruments certificates and other documents, and take such other action as any other party hereto may reasonably require in order to carry out the purpose of this Agreement and the transactions contemplated hereby.

1.2 This Agreement shall be governed and enforced in accordance with the laws of the State of Israel.

1.3 This Agreement contains the entire agreement of the parties with relations to the subject matter hereof, and cancels and supersedes all prior and contemporaneous negotiations, correspondence, understandings and agreements (oral or written) of the parties relating to such subject matter.

1.4 In case any one or some of the provisions contained in this Agreement shall for any reason to be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

1.5 This Agreement may be executed in multiple counterparts, which taken together shall constitute a single document.

1.6 Any notice under this Agreement shall be in writing and shall be deemed to have been duly given for all purposes (a) seven (7) days after it is mailed by registered mail; (b) upon the transmittal thereof by telecopier; or (c) upon the manual delivery thereof, to the respective addressee or fax numbers set forth above or to such other address of which notice as aforesaid is actually received.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date first set forth above.

/s/: Allot Communications Ltd.

Allot Communications Ltd.

/s/: Yigal Jacoby

Yigal Jacoby

Ravillan, Bentzur & Co.

Exhibit 10.7

Mr. Yigal Jacoby
9 Nordan Street
Ra'anana Israel

Date: November 27th, 2001

Re: Options to Purchase Shares

We wish to confirm our agreement as follows:

1. Grant of Options. You are hereby granted options (the "**Options**") to purchase 15,625 Preferred C-1 Shares, par value NIS 0.01 each, of Allot Communications Ltd. (the "**Company**"), exercisable at any time following the date hereof, until the earlier to occur of (i) an initial public offering of shares of the Company; (ii) a merger of the Company in which the Company is not the surviving entity; (iii) the sale of all or substantially all of the assets or shares of the Company; or (iv) the lapse of 5 years from the date hereof.

2. Exercise. The exercise price of the Options shall be the par value of the underlying shares. An Option shall be exercised by a written notice delivered by you to the Company, specifying the number of shares to be purchased, and accompanied by the payment of the exercise price thereof in cash or by a cashier's check payable to the order of the Company.

3. Rights Attached to Underlying Shares. The Preferred C-1 Shares underlying the Options shall have the same rights and obligations as the other currently outstanding Preferred C-1 Shares of the Company, and shall be subject to the rights and obligations of the Preferred C-1 Shares of the Company, set forth in the Articles of Association of the Company, as may be amended from time to time.

4. Adjustments. The number of shares covered by each outstanding Option, as well as the price per share, shall be proportionately adjusted for any increase or decrease in the number of issued ordinary shares resulting from a stock split, reverse stock split, combination or reclassification of the shares or the payment of a stock dividend (bonus shares) with respect to the shares.

5. Tax Consequences. All tax consequences arising from the grant or exercise of the Options to you, from the payment for, or the subsequent disposition of, shares covered thereby or from any other event or act of the Company or of you hereunder, shall be borne solely by you.

Please indicate your agreement to the abovesaid by executing a counterpart of this letter and returning it to us.

Allot Communications Ltd.
/s/ Adi Sapir
By: Adi Sapir
Title: CFO

I Agree: /s/ Yigal Jacoby
Yigal Jacoby

27.11.01
Date

Exhibit 10.8

Agreement

This Agreement (the "**Agreement**") is made and entered into as of September 4, 2002 (the "**Effective Date**"), by and between **Allot Communications Ltd.** ("**Allot**"), having its place of business at 5 Hanagar street, Neve Neeman B Industrial Zone, Hod Hasharon, Israel, and **R.H. Electronics Ltd.** ("**R.H.**"), having its place of business at Nazareth-Illit, Har Yona Industrial Zone, Israel; Allot and R.H., collectively, the "**Parties**", and each, a "**Party**").

WHEREAS, Allot designs, manufactures and sells electronic equipment which includes subassemblies components and know how, that is confidential and proprietary property of Allot; and

WHEREAS, R.H. is in the business of manufacturing subassemblies, and has the experience and the expertise to manufacture the Products, as defined herein; and

WHEREAS, the Parties wish to enter into an agreement pursuant to which R.H. will provide to Allot with manufacturing, technical support and additional services in connection with Allot products, as set forth herein.

NOW THEREFORE, the parties agree as follows:

1. General

   1.1. The headings in this Agreement are inserted for convenience only, do not constitute a part thereof and shall not be deemed to affect the construction or interpretation of any provision thereof.

   1.2. The Exhibits attached to this Agreement form an integral part hereof.

2. Term

   This Agreement shall commence on the Effective Date and shall continue for an initial term of one (1) year. This Agreement shall automatically be renewed for successive one (1) year increments unless either Party requests in writing, at least ninety (90) days prior to the anniversary date, that this Agreement not be so renewed.

3. Scope of Agreement; License

   3.1. R.H. agrees to use commercially reasonable efforts to provide Allot with manufacturing services (the "**Services**"), pursuant to specifications or changes thereto issued by Allot and accepted by R.H. The Services shall include, without limitation, procuring **Materials** (defined as the components, materials and supplies necessary for the manufacture of Products (as defined herein below)) and other supplies and manufacturing, testing, assembling, and delivering the products listed in **Exhibit 3.1A** attached hereto (the "**Products**"), pursuant to detailed written specifications for each such Product which are provided by Allot and accepted by R.H., and to deliver such Products to a location designated by Allot. For each Product or revision thereof, written specifications shall

include but are not limited to bill of materials, schematics, assembly drawings, test specifications, current revision number, and approved vendor list, all as set forth in **Exhibit 3.1B** attached hereto (the "**Specifications**").

3.2. Allot hereby grants R.H. a non-exclusive limited license during the term of this Agreement to use all of Allot's Intellectual Property (as defined below) required to perform R.H.'s obligations under this Agreement.

4. R.H. Obligations

4.1. The Services

The Services to the provided by R.H. to Allot shall include the following:

4.1.1. Materials planning;

4.1.2. procurement of Materials;

4.1.3. assembly of printed circuit boards required for the manufacture of the Products;

4.1.4. electronic circuit testing according to the test specifications as set forth in **Exhibit 4.1.4**;

4.1.5. assembly of complete Products according to the assembly requirements as set forth in the Specifications. R.H. shall not introduce any change in the manufacturing process without receiving Allot's prior written consent;

4.1.6. final testing of the Products before delivery of every unit of Product as set forth in **Exhibit 4.1.4**;

4.1.7. packaging of the Products in accordance with Allot's requirements;

4.1.8. delivery of Products to Allot per agreed schedule.

4.2. Materials Procurement

4.2.1. R.H. is authorized to purchase Materials using standard purchasing practices including, but not limited to, acquisition of material recognizing Economic Order Quantities, ABC buy policy and long lead time component management in order to meet the requirements of Allot's orders and forecasts, provided that, procurement of Materials beyond the Forecast shall require a pre-written approval by Allot, except for standard order quantities (minimum standard package quantities).

4.2.2. Allot reserves the right to procure any portion of or all of the required Material through its own channels, and to

supply such Materials to R.H. for the purpose of manufacturing the Products as set forth herein. The list of these Materials is provided in **Exhibit 4.2.2**.

4.2.3. R.H. is responsible for monitoring supplier quality, according to the Specifications required by Allot for all purchased Materials.

4.2.4. R.H. will inform Allot of the Lead Time for every Long Lead Item part with Lead Time greater than *.

4.2.5. R.H. will keep a constant buffer stock of * % of the * rolling Forecast.

4.3. Quality of the Products

4.3.1. R.H. shall maintain quality assurance standards in accordance with ISO9002. R.H. suppliers' Quality Assurance, and its Control and Inspection processes shall be in full compliance with ISO9002 standards during the term of this Agreement.

4.3.2. The Products shall be manufactured to meet the following manufacturing standards requirements:

4.3.2.1. IPC610.

4.3.3. R.H. will coordinate, participate and cooperate with on-going quarterly inspections as required by UL for Allot's Products.

4.3.4. R.H. shall permit Allot to audit its quality process, upon five (5) days advance notice to R.H., and shall provide such assistance which is reasonably necessary for Allot to evaluate the quality of the Products and the manufacturing process.

4.3.5. R.H. shall inform Allot of any violation or change of the production and/or testing procedure within one (1) working day of their occurrence.

4.4. Engineering Changes

4.4.1. Allot may, upon advance written notice to R.H., submit engineering changes for incorporation into the Products. R.H. will make a reasonable effort to review the request for engineering change and report to Allot within five (5) working days of any implications of the proposed changes.

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* Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the SEC.

Such report shall include all possible implications including implications on Materials, delivery schedules, manufacturing processes, quality and Product cost.

4.4.2. R.H. undertakes to make all reasonable efforts to assure quick implementation of any engineering changes requested by Allot

4.4.3. R.H. will sell to Allot all excess or replaced Materials left in its inventory after the implementation of any engineering change.

4.5. Inventory Management

4.5.1. All Material and tooling equipment furnished to R.H. or paid for by Allot in connection with this Agreement shall:

4.5.1.1. be clearly marked and remain the property of Allot; and

4.5.1.2. be kept free of any liens and encumbrances.

4.5.2. R.H. shall hold Allot property at its own risk and shall not modify the property without the written permission of Allot. Upon Allot's request, R.H. shall redeliver such property to Allot in the same condition as originally received by R.H. with the exception of reasonable wear and tear.

4.5.3. At any time requested by Allot, R.H. shall provide Allot with a detailed written report of inventory levels, open orders and delivery dates for all parts and subassemblies.

4.6. Non-competition. R.H. undertakes that it shall not manufacture the Products or any part or derivative there from, including, without limitation, any accompanying documentation and software, for any other vendor but Allot, and shall not to make any use of the knowledge gained by manufacturing the Products, nor manufacture Products for companies competing directly or indirectly with Allot.

5. Allot Obligations

Allot will provide R.H. with:

5.1. any updates to the Specifications.

5.2. Allot's Standard Operation Procedures, as set forth in **Exhibit 5.2** attached hereto;

5.3. Bill of Materials.

5.4. Approved Vendor list for specific parts and subassemblies as will be defined by Allot from time to time.

5.5. Gerber data, CAD files for all items which are made to Allot's specifications.

5.6. Functional Test Procedures as described in **Exhibit 4.1.4**.

5.7. Functional test equipment.

5.8. Product training for test and repair.

5.9. Assistance in evaluating and resolving issues in manufacturing.

6. Orders and Forecast

6.1. Allot will provide R.H., on a monthly basis, a rolling three (3) months forecast in two week intervals, specifying the quantity and type of Products to be shipped. Product price, delivery schedule (by date), and required packaging, during such three (3) months period (the "**Forecast**"). R.H. will acknowledge receipt of Forecast within * and will provide to Allot — commitment for delivery dates within * and shall deliver the Products to Allot in per the commitment to the Forecast.

6.2. Changing Quantities of Products Listed in the Forecast. Allot may change the amount of Products specified in the Forecast, by sending R.H. a written change order. Deliveries may be changed in accordance with the schedule shown below:

Number of days before Shipment Data according to Forecast	**Allowable Quantity Changes (postponement) (% out of the Quantity Set forth in the Forecast for a specific delivery date)**
1-30	* %
31-60	* %
61-90	* %

6.3. Rescheduling Deliveries. Allot may reschedule delivery of Products ordered, by sending R.H. a written notice, with no additional charge. However, if Products are rescheduled to a date later than * from the original delivery date of the Forecast, Allot shall pay R.H. a carrying charge in the amount of * % over the then-current interest rate of Bank Leumi LeIsrael Ltd. of the price of such delayed Products.

6.4. Changes in the Composition of the Forecast. Allot may request any change in the number of the different models of Products set forth in a

* Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the SEC.

particular Forecast, not less than * prior to designated delivery date of the Products set forth therein.

6.5. R.H. shall undertake all reasonable efforts, including, without limitation, expediting Materials and allocating capacity, in forecast to support Allot's request for increased production or change in composition of product models.

6.6. R.H. will notify Allot in advance for any possible postponement of delivery at least * in advance.

6.7. Cancellations.

6.7.1. In the event that Allot wishes to terminate this Agreement and cancel any Forecast, R.H., upon receipt of such written notice of termination and cancellation, shall stop performing the Services to the extent specified therein. Upon such termination and cancellation Allot shall be obliged to purchase and pay for the following:

6.7.1.1. Payment for all Products delivered to Allot, or in the process of being delivered at the time, plus finished Products in inventory prior to, and including, the effective date of cancellation, at then applicable Product prices;

6.7.1.2. Payment for all work in process on Products based upon percentage of completion, as reasonably determined by R.H. and Allot, multiplied by the then applicable Product price, including Products which were in process prior to receipt of notice of cancellation and that could not be completed by the cancellation date. Allot has the right to require R.H. to complete work on any such Products on a reasonable schedule;

6.7.1.3. Payment for the cost of all Materials (not including margin) in R.H.'s inventory not returnable to the vendor or usable for other R.H. customers, whether in raw form or work in process;

6.7.1.4. Payment for the cost of Materials on order and not cancelable.

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* Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the SEC.

6.7.2. All material sold to Allot under Section 6.7.1 will meet the agreed quality standards.

6.7.3. R.H. shall use its best efforts to minimize cancellations charges by returning components for credit, canceling components on order and applying components to other R.H. projects and minimizing all work-in-process and finished goods in support of the final production schedule. Upon payment of the cancellation charges for any completed Products or work in process, such items shall become the property of Allot, F.O.B. R.H., and, at Allot's election and expense, shall be delivered to a location identified to R.H. by Allot or, at Allot's direction, disposed of by R.H.

6.7.4. In no case shall Allot be obliged to purchase Materials and/or finished Products for an aggregate cost higher than the aggregate price set forth in the cancelled Forecast plus the cost of excess Material approved by Allot as in Section 4.2.1 above.

6.7.5. Compensation for Delayed Deliveries.

In the event that R.H. fails to meet the delivery date set forth in the Forecast, with the exception of delays caused by Allot, such as changes in schedule due to Engineering Change Orders (ECO), changes of products mix which affect the manufacturing schedule, problems in Allot supplied test equipment and process, etc. R.H. shall pay to Allot a delay penalty calculated in accordance with the following table:

Delay (days)	**Penalty per day (% out of the aggregate price of the delayed delivery)**
Up to 14 days	* %
15 to 28 days	* %
29 to 42 days	* %
43 to 56 days	* %

7. Price and Price Reviews

7.1. Pricing for products sold under this Agreement are defined in **Exhibit 7.1**.

7.2. Price Review

Throughout the term of this Agreement, representatives of R.H. and Allot shall meet every three (3) months to review pricing and determine the

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actions required by both sides in order to achieve cost reduction and decide on change of Product price as of the agreed date.

7.2.1. R.H. shall provide to Allot on a quarterly basis — price quotation of off-the-shelf parts and sub-assemblies according to which R.H. procures the parts from its suppliers.

7.3. It is agreed that, for the sake of facilitating uninterrupted production:

7.3.1. R.H. may buy components to be used in the manufacture of the Products at prices higher than those agreed, provided that any such increase shall be limited to up to * % of the component price, and, in addition, that the total affect on Product price during the subsequent 3 month pricing period shall not exceed * % of the total price of Product, unless otherwise agreed in writing by Allot;

7.3.2. Allot shall answer urgent requests for price change approvals within one (1) working day.

7.4. Prices for testing will be calculated on an hourly basis of human resources invested for setup, and will not include the time tests are automatically run by devices. The price per hour of testing is as set forth in **Exhibit 7.4**.

7.5. Under no circumstances will Allot be charged for any expenses incurred by R.H. as a result of repairing production problems.

8. Freight, Delivery and Title

R.H. shall package each batch of Product in accordance with Allot's specifications, or, if not specified by Allot, in accordance with good commercial standards. All shipments of Product shall be DDU to Allot's premises (Incoterms 2000). When required, R.H. shall ship Products to Allot three (3) times a week. Title and risk of loss or damage to a batch of Products shall pass from R.H. to Allot upon delivery of such batch to Allot at Allot's premises. Shipments to Allot will be made in accordance with Allot's specific routing instructions, including method of carrier to be used.

9. Payment Terms

R.H. shall invoice Allot upon shipment of each batch of Products. Payment for such Products is due current * from date of shipment and may be made by check or write transfer.

10. Warranty

10.1. R.H. warrants for a period of * from the date of supply of the Product, that

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* Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the SEC.

10.1.1. the Product will conform to the Specifications applicable to such Product at the time of its manufacture, which are furnished in writing by Allot and accepted by R.H;

10.1.2. such Product will be of good Material and workmanship and free from defects;

10.1.3. such Product will be free and clear of all liens and encumbrances.

10.2. In the event that any Product manufactured shall not be in conformity with the foregoing warranties, R.H. shall either credit Allot for any such nonconformity (not to exceed the purchase price paid by Allot for such Product), or, at R.H's expense, replace, repair or correct such Product and the return of repaired merchandise at its best possible speed that shall in no case not exceed * (* during the first 6 months of Period). Per Allot's request, repair and correct operations will take precedence over manufacturing now units per forecast and R.H.

10.3. Products replaced or repaired shall carry a warranty of the longest of (1) The Original warranty period, (2) * from the date of shipping the repaired/replaced Product to Allot, as in Section 10.1 above.

10.4. R.H. shall have no responsibility or obligation to Allot under warranty claims with respect to Products that have been subjected to abuse, misuse, accident or neglect.

10.5. Insurance. R.H. shall at its own expense maintain such comprehensive general and product liability insurance policies, which shall state Allot as a beneficiary thereunder, as is standard and appropriate to cover its obligations hereunder and its supply of the Services and Products covered hereby. R.H. shall provide Allot with proof of such insurance reasonably acceptable to Allot.

11. Indemnity: Limitation of Liability

11.1. R.H. agrees that, if notified promptly in writing, wishes upon its discretion and given sole control of the defense and all related settlement negotiations, it will defend Allot from any claim or action and will hold Allot harmless from any third party loss, damage, or injury, including death, which arises from any alleged workmanship defect of any Products.

11.2. Neither Party shall be liable for any indirect, incidental, special or consequential damages resulting from this Agreement, including but not limited to loss of profit, loss of production, loss of contracts, even if cither party or on authorized representative has been advised of the possibility of such damages.

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12. Intellectual Property

12.1. In this Agreement "**Intellectual Property**" means all intangible legal rights, titles and interests evidenced by or embodied in (i) any invention (whether patentable or un-patentable and whether or not reduced to practice), all improvements thereto, and all patent, patent applications and patent disclosures; (ii) any work of authorship, regardless of copyrightability, copyrightable works, all copyrights; (iii) all trade secrets and Confidential Information (as defined below); and (vi) any other similar rights, in each case on a worldwide basis.

12.2. All Intellectual Property evidenced by or embodied in and/or related to the Products and/or any derivative work thereof or invention relating thereto, shall be owned solely by Allot R.H. acknowledges that except for the right of use expressly provided hereunder in connection with the manufacture of the Products, Allot does not convey any Intellectual Property to R.H. hereunder, and that R.H. has not, does not, and shall not acquire any rights with respect to the Products or and/or any derivative work thereof or invention relating thereto, including, without limitation, any Intellectual Property relating thereto.

12.3. R.H. shall: (i) not engage, itself or through the assistance of any third party, directly or indirectly, in the research, development, manufacturing, marketing, distribution, sale, lease or licensing of any product which is or may constitute a derivative work of the Products; (ii) not represent that it possesses any proprietary interest in the Products, and/or any Intellectual Property relating thereto; (iii) not directly or indirectly, take any action to contest Allot's Intellectual Property or infringe it in any way: (iv) not register, nor have registered, any trademarks, trade names or symbols of Allot (or which are similar to Allot's); and (v) shall not use the name, trademarks, trade-names, and logos of Allot in any manner whatsoever (other then as required for the production of the Products).

12.4. R.H. shall promptly notify Allot of (i) any determination, discovery, or notification that any person is or may be infringing the Intellectual Property of Allot. R.H. shall not take any legal action relating to the protection or defense of any Intellectual Property pertaining to the Products or the manufacture thereof without the prior written approval of Allot. R.H. shall assist in the protection and defense of such Intellectual Property.

13. Intellectual Property Indemnity

Each Party (the "**Indemnifying Party**") shall defend, indemnify, and hold harmless the other party from any claims by a third party of infringement of Intellectual Property rights resulting from the acts of the Indemnifying Party pursuant to this Agreement, provided that the other party:

13.1. gives the Indemnifying Party prompt notice of any such claims;

13.2. readers reasonable assistance to the Indemnifying Party thereon; and

13.3. permits the Indemnifying Party to direct the defense of the settlement of such claims.

14. Confidential Information

14.1. The term "**Confidential Information**" shall mean: any information regarding the activities, plans and business of Allot including any information regarding the technology developed by the Allot, whether embodied in a physical product or not, whether in oral, written, graphic, machine-readable, visual or in any other form, and whether or not marked by it as "Confidential" or "Proprietary", including, without limitation, processes, techniques, methods, concepts, systems, inventions, formulas, drawings, data, photographs, computer programs, prototypes, models, research materials, development or experimental work and status, works in progress, specifications, designs, products plans, business activities, business strategies, marketing plans, forecasts, financial information, personnel information, customer or supplier lists, as well as samples or parts of the above.

14.2. Insofar as Confidential Information or any portion of it is disclosed to R.H., R.H. represents and warrants that it will maintain the Confidential Information in the strictest confidence, and will not divulge such Confidential Information to any third party or use such Confidential Information for any purpose other than for the exercise of its rights and performance of its obligation hereunder and then only in the manner and to the extent necessary. R.H. further represents and warrants that it will restrict disclosure of Confidential Information to its personnel on a "need to know" basis and only to the extent necessary for the purpose of this Agreement. R.H. shall be responsible for compliance of its personnel with the provisions of this Agreement. All Confidential Information made available hereunder, including copies thereof, shall be returned to Allot or shall be certified as destroyed upon the termination of this Agreement for any reason, or at the request of Allot.

14.3. The foregoing confidentiality restrictions will not apply to information that (i) becomes public knowledge other than through R.H.; (ii) is already known by R.H. prior to disclosure by Allot; (iii) is received by R.H. from a third party without similar restriction and without breach of this Agreement. R.H. may also disclose Confidential Information to the extent required by law, regulation, court order or rules of any applicable securities exchange or over-the-counter market (collectively, "**Law**"). In such event, (i) the disclosure shall extend only to information whose disclosure is required by Law, (ii) R.H. shall (to the extent permitted by Law) promptly and before disclosure notify Allot of the proposed disclosure, and (iii) R.H. shall use reasonable efforts to seek from the

recipient of the disclosure confidential treatment of the information to be disclosed. No information shall be divested of its status as Confidential Information by virtue of disclosure *per se* as required by Law.

15. Termination

15.1. If either Party fails to meet any one or more of the terms and conditions as stated in this Agreement, the Parties agree to negotiate in good faith to resolve such default. If the defaulting Party fails to cure such default or submit an acceptable written plan to resolve such default within thirty (30) days following notice of default, the non-defaulting Party shall have the right to terminate this Agreement by upon thirty (30) days' prior written notice.

15.2. This Agreement shall immediately terminate should either Party:

15.2.1. become insolvent;

15.2.2. enter into or file a petition, arraignment or proceeding seeking an order for relief under the bankruptcy laws of its respective jurisdiction;

15.2.3. enter into a receivership of any of its assets; or

15.2.4. enter into dissolution of liquidation of its assets or an assignment for the benefit of its creditors.

15.3. Each Party may terminate this agreement upon 120 days' prior written notice.

16. Effect of Termination

In case of termination and unless otherwise stipulated:

16.1. In Allot Sole discretion, R.H. will deliver all services and/or deliverables and Allot will pay for all items mentioned on the last available Forecast or change order accepted by R.H. before expiration or termination date.

16.2. Allot shall compensate R.H. for Products and Materials and R.H. shall provide Allot with Products and Materials as stipulated in Section 6.7.

16.3. Each Party will promptly return to the other Party all Confidential Information of the respective other Party and any copies thereof.

16.4. R.H. will return to Allot all consigned Materials, and all of Allot's equipment and tooling in R.H.'s possession at the time of termination.

16.5. R.H. shall immediately cease using Allot's Intellectual Property, and the limited license stipulated in Section 3.2 shall terminate.

16.6. R.H. will return to Allot or destroy all copies in any media containing Allot Intellectual Property in R.H.'s possession and shall confirm such return or destruction to Allot, in writing.

17. Dispute Resolution

17.1. In the spirit of continued cooperation, the Parties intend to and hereby establish the following dispute resolution procedure to be utilized in the unlikely event any controversy should arise out of or concerning the performance of this Agreement.

17.2. It is the intent of the Parties that any dispute be resolved informally and promptly through good faith negotiation between R.H. and Allot. Either Party may initiate negotiation proceedings by written notice to the other Party setting forth the particulars of the dispute. The Parties agree to meet in good faith to jointly define the scope and a method to remedy the dispute. If these proceedings are not productive of a resolution, then senior management of R.H. and Allot are authorized to and will meet personally to confer in a bona fide attempt to resolve the matter.

18. Miscellaneous

18.1. Force Majeure. In the event that either Party is prevented from performing or is unable to perform any of its obligations under this Agreement (other than a payment obligation) due to any Act of God, fire, casualty, flood, earthquake, war, strike, lockout, epidemic, destruction of production facilities, riot, insurrection, material unavailability, of any other cause beyond the reasonable control of the Party invoking this section, and if such Party shall have used its best efforts to mitigate its effects, such Party shall give prompt written notice to the other Party, its performance shall be excused, and the time for the performance shall be extended for the period of delay or inability to perform due to such occurrences. Regardless of the excuse of Force Majeure, if such Party is not able to perform within ninety (90) days after such event, the other Party may terminate the Agreement.

18.2. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable, such provision shall be deemed null and void, and the remainder of the Agreement shall continue to be in full force and effect, while the Parties shall negotiate in good faith to replace the provision with another enforceable one reflecting as closely as possible the Parties' initial intention.

18.3. Relationship of the Parties. Each of the Parties shall at all times during the terms of this Agreement act as, and shall represent itself to be, an independent contractor. Neither Party shall have any right or authority to assume or create any obligations or to make any representations or warranties on behalf of the other Party whether express or implied, or to bind the other Party in a respect whatsoever.

18.4. Governing Law. The construction, interpretation and performance of this Agreement and all transactions under it shall be governed by the laws of the State of Israel, and both Parties consent to jurisdiction by the Tel Aviv-Jaffa district courts.

18.5. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. R.H. shall not in any way sell, transfer, assign, or otherwise dispose of any of the rights, privileges, duties and obligations granted or imposed upon it under this Agreement; provided, however, that R.H. shall have the right to assign its rights, duties and responsibilities under this Agreement to an affiliate of R.H.; provided further, however, R.H. shall remain obligated under this Agreement and Allot shall have the right to approve any change of the manufacturing facility for the Products. An affiliate of R.H. means any corporation, partnership or other business entity which controls, is controlled by, or is under common control with R.H.

18.6. Notifications. Any and all notices and other communications whatsoever under this Agreement shall be in writing, sent by registered mail or by telegram, or facsimile to the address set forth below.

18.7. Entire Agreement. No amendment of this Agreement will be valid unless made in writing signed by a duly authorized representative of both parties. No provision of this Agreement will be deemed waived and breach or default excused unless the waiver or excuse is in writing and signed by the party issuing it. The terms and conditions contained in the Agreement supersede all prior oral or written understandings between the parties and shall constitute the entire agreement between them concerning the subject matter of this Agreement.

-***SIGNATURE PAGE FOLLOWS***-

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

/s/: Eli Rkan	/s/: Ramy Moriah
R.H. Electronics Ltd.	Allot Communications Ltd.
By: Eli Rkan	By: Ramy Moriah
Title: General Manager	Title: VP Operations
Address: Nazareth-Illit, Har Yona Industrial Zone, Israel Fax: Attn:	Address: 5 Hanagar street, Neve Neeman B Industrial Zone, Hod Hasharon, Israel Fax: 09-744-3626 Attn:

Exhibit 3.1A
The Specifications

Exhibit 3.1B
The Products

- NetEnforcer AC-202
- NetEnforcer AC-302
- NetEnforcer AC-402

Exhibit 4.1.4
Testing

R.H. stall perform the following assembly, burn-in, and production, functional and final tests for every Product manufactured:

1. In circuit Tests

- ICT
- AOI
- X-Ray for BGA parts

2. Quality Assurance Tests

- Quality assurance tests for all parts: mechanical, electro-mechanical, electronic and sub-assemblies.
- Integration tests – visual and electrical.

3. Dynamic Buria In and Functional Tests

Allot will provide R.H. with specifications, setup software and procedure of functional test, which shall be run on every Product manufactured. Products which do not pass the tests specified herein will not be accepted nor paid for by Allot.

R.H. will run functional tests in room temperature for every Product. If room-temperature functional test is successful, R.H. will then rerun the functional tests in burn-in camber (temperature profile TBD) for every Product manufactured of the first * units, and then for * % of the Products in each batch.

4. Test Verification

Every Product delivered to Allot shall be accompanied by documents detailing all the tests performed on it and their results, as follows:

1. Process check list TBD
2. Configuration form TBD
3. Computerized diagnostics test form TBD
4. Mechanical (QA) check list TBD

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* Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the SEC.

Exhibit 4.2.2
Material Procured by Allot

- CPU Celeron
- CPU Pentium
- SDRAM

Exhibit 5.2
Standard Operations Procedures

Exhibit 7.1
Product Prices

- NetEnforcer AC-202 TBD
- NetEnforcer AC-302 TBD
- NetEnforcer AC-402 TBD

AC-202 *

AC202 RAD196321 — 1000 units

* Omitted Pursuant to a confidential treatment request. The confidential portion had been filed separately with the SEC.

AC – 302 & AC – 402

*

AC302 RAD196333 – 1000 units

* Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the SEC.

Exhibit 7.4
Prices for Testing

$ * per hour

Number of hours per batch — TBD

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* Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the SEC.

Exhibit 10.9

Translation from Hebrew

Lease Agreement

Entered into in Tel Aviv, on
the 13th day of the month of February 2006

By and between:

1. Aderet Hod Hasharon Ltd.	Private Company 51-274392-3 by its manager, Mr. Amichai Dresner (27.5%)
2. MIRITZ INC. (a foreign company)	By its power of attorney, Mr. Amichai Dresner (27.5%)
3. Leah and Israel Rubin Assets Ltd.	Private Company 51-274247-9, by its manager, Mr. Israel Rubin (6%)
4. Tamar and Moshe Cohen Assets Ltd.	Private Company 51-274249-5, by its manager, Mr. Moshe Cohen (6%)
5. Drish Assets Ltd.	Private Company 51-274248-7, by its manager, Mr. Ilan Heikin (6%)
6. S.L.A.A. Assets and Consulting Ltd.	Private Company 51-285995-0, by its manager, Mr. David Gilboa (6%)
7. Iris Katz Ltd.	Private Company 51-271304-1, by its manager, Ra'anan Katz (6%)
8. Y.A. Groder Investments Ltd.	Private Company 51-3029215, by its manager, Avi Groder (7.5%)
9. Ginotel Hod Hasharon 2000 Ltd.	Private Company. 51-3036038, by its manager, Mr. Yossi Isler (7.5%)

Hereinafter, jointly and severally, referred to as the "**Landlord**"
Whose address for the purpose of the Agreement is:
Heikin Cohen Rubin & Gilboa CPA Firm
of Kiryat Atidim, Building 4, P.O.B. 58143, Tel Aviv

And

Allot Communications Ltd., P.C. 51-239477-6
Whose address for the purpose of this Agreement is:
5 Hanagar, Hod Hasharon, 45800
By its authorized signatories, Mr. Yigal Jacoby and Mr. Adi Sapir

Hereinafter: the "**Tenant**"

WHEREAS Landlord represents that it is the owner of the parts of the Building, as defined below, in which the Leased Premises (as defined below) are located. Said Building is constructed on Temporary Lot #8, according to TPS (Town Planning Scheme) HR/MK/8 and amendments thereto (hereinafter: "**Lot 8**"), which is located on Lot 9 Parcel 6574 in Hod Hasharon; and

WHEREAS Landlord's rights in the aforementioned Building are derived from its purchase of the rights in Lot 8 in cash and by virtue of combination transactions that were entered into by Landlord and the additional holders of rights in Lot 8; and

WHEREAS Tenant desires to lease from Landlord, and Landlord desires to lease to Tenant, under unprotected tenancy, areas within the Building that comprise the Leased Premises, as defined below, in accordance with the terms set forth herein; and

WHEREAS the parties hereby represent that no legal, contractual or other restriction exists to entering into this Agreement:

NOW, THEREFORE, the parties stipulate and agree as follows:

1. **PREAMBLE**

   The parties' representations, the preamble and appendices hereto constitute an integral part hereof. The sections of the Agreement are for convenience only and are not to be considered in interpreting this Agreement.

2. **DEFINITIONS**

   In this Agreement:

	"**Building**" means a six-story building (above ground), including a ground floor and two underground parking levels. The top level also includes storage areas.
Appendix A	"**Leased Premises**" means the fourth and fifth floor and the lower western part of the ground floor, reaching a height of one floor only, which are described and marked in the plans that are attached hereto as **Appendix A**. This also includes 25 parking spaces in the upper parking lot, as marked in the parking plans, which are attached hereto as **Appendix B1,** and
Appendix B1	fifty parking spaces in the underground parking levels, as marked in the parking plans attached hereto as **Appendix B2**.
Appendix B2	
Appendix C1	"**Technical Specification**s" means the technical specifications which are attached hereto as **Appendix C1**.
Appendix C2	**"Layout Drawings"** means the layout drawings that are attached hereto as **Appendix C2**.

"Date of Delivery of Possession" – as provided in Section 8.1 below.

Appendix D

"Working Drawings" – as detailed in Section 8.2 below.

"Lease Period" – as detailed in Section 7 below.

"Interest in Arrears" means the highest interest rate set by Bank Leumi le-Israel Ltd. with respect to credit withdrawals in excess from a business bank account beyond the authorized credit limit.

"Down Payment" – as defined in Section 10.6 below.

3. REPRESENTATIONS OF THE PARTIES

3.1. The Landlord represents that it is authorized to lease the Leased Premises to the Tenant and that there is no restriction, contractual or otherwise, to leasing the Leased Premises to the Tenant and to fulfilling its obligations under this Agreement.

3.2. The Tenant represents that it has examined and inspected the Building and the Leased Premises, including accessways, the Urban Building Scheme applying thereto and the possibilities for use of the Leased Premises. The Tenant further declares that it has seen and thoroughly inspected the Leased Premises and found them to be satisfactorily suitable for its purposes, subject to any modifications made to the Leased Premises in accordance with the Working Drawings. Therefore and subject to the condition that the modifications to the Leased Premises are made in accordance with the Working Drawings and to the satisfaction of the Tenant, the Tenant hereby waives any argument it may have against the Landlord regarding any unsuitability and/or lack of knowledge in connection with the Leased Premises.

4. THE LEASE

The Landlord hereby leases to the Tenant and the Tenant hereby leases the Leased Premises from the Landlord, under unprotected tenancy, for a specific period of time, for the purpose and under the terms detailed herein.

5. NON-APPLICATION OF TENANTS PROTECTION LAW

5.1. The Tenant hereby declares that the Lease, the Tenant and the Leased Premises are not protected under the provisions of the Tenant Protection Law 5732-1972 or under the provisions of any other law that currently exists or that will be promulgated in the future, which may, in any way whatsoever, grant the Tenant any protected tenancy rights. The said laws and amendments thereto as well as any regulations and/or orders that were promulgated or that will be promulgated thereunder in the future, shall not apply to the Lease, the Tenant, the Leased Premises or to this Agreement.

5.2. The Tenant declares that it was not required to, nor did it pay to the Landlord, any key money as defined in the Tenant Protection Law, or any payments that may be interpreted or considered to be key money. The Tenant further declares that any work, modifications, repairs, improvements or enhancements it may perform at the Leased Premises, to the extent any are made, are not and shall not be considered to be payment of key money and the Tenant Protection Law shall not apply to this Agreement.

6. PURPOSE OF LEASE

The Tenant undertakes to use the Leased Premises for the sole purpose of conducting its business, provided that said business is in accordance with the law. The Tenant undertakes not to use, nor to permit others to use the Leased Premises or any part thereof for any purpose other than the for the original purpose of the Lease, as defined above, unless it received the Landlord's advance written consent to do so.

7. PERIOD OF THE LEASE

7.1. The Landlord hereby leases the Leased Premises to the Tenant and the Tenant hereby leases the Leased Premises from the Landlord for a period of seven (7) years from the Date of Delivery of Possession of the Leased Premises to the Tenant. The Tenant will be delivered possession of the Leased Premises after the work at the Leased Premises has been completed in accordance with the Working Drawings, as detailed in Section 8 below. The period between the Date of Delivery of Possession and the end of the lease shall hereinafter be called the "**Lease Period**."

7.2. For the entire duration of the Lease Period, the Tenant shall be entitled to terminate the Lease Period by providing notice thereof eight (8) months in advance (hereinafter: the "**Right to Shorten the Lease**"). Should the Tenant exercise its Right to Shorten the Lease, the Landlord shall forfeit the remaining down payment at the end of the shortened Lease Period, as detailed in Section 10.6, as agreed compensation. The Down Payment shall be forfeited in addition to the other payments applying to the Tenant under this Agreement, for the period ending on the date of actual vacating. It is hereby clarified that notwithstanding the statements set forth in the other sections herein, should the Tenant exercise its Right to Shorten the Lease, the Tenant shall not be required to remit to the Landlord any additional payment for early vacating of the Leased Premises, beyond forfeiture of the Down Payment and the payments applying to the tenant for the period ending on the date of actual vacating. Notwithstanding the foregoing, the remaining Down Payment shall not be forfeited in the event a replacement tenant is found, as provided in Section 23.3 (should a replacement tenant be found for only part of the Leased Premises, the proportionate part of the remaining Down Payment will be forfeited).

8. MODIFICATION WORK

8.1. The Landlord undertakes to deliver possession of the Leased Premises to the Tenant no later than July 15, 2006 and not earlier than July 1, 2006. This shall occur after an occupancy permit (*Form 4*) has been issued for the Building. In addition, the Leased Premises shall be delivered after the modification work at the Leased Premises has been completed in accordance with the Working Drawings and the Leased Premises have been connected to the electrical, water and sewage systems. The Leased Premises shall be delivered in accordance with Section 9 below. The end of construction of the Lease Premises shall be in accordance with the Technical Specifications and after the interior remodel work has been completed at the Leased Premises, in accordance with the **Working Drawings**, as defined below. The date of actual delivery of possession of the Leased Premises from the Landlord to the Tenant shall hereinafter be called: the "**Date of Delivery of Possession**."

8.2.

A. Within twenty-eight (28) days from the execution of this Agreement, the Tenant undertakes to provide to the Landlord a detailed work plan, signed and approved by an architect, for the completion of the interior finish work at the Leased Premises. This includes detailed electrical and air-conditioning plans that shall be prepared and signed by air-conditioning and electrical engineers, as well as bills of quantity, in accordance with the technical specifications and the Layout Drawings set forth in Appendices C1 and C2 hereto (hereinafter: the "**Working Drawings**"). It is hereby clarified that any deviation of up to 10% from the Layout Drawings shall be allowed and shall not be considered a deviation within the Working Drawings.

B. It is emphasized that the Working Drawings will include the quantities, materials and work included in the technical specifications only. Should the Working Drawings include quantities, materials and work exceeding those included in the technical specifications, the Landlord shall perform said work for an additional cost that shall be agreed upon by the parties. In any case, the Landlord shall be able to decide whether to perform this additional work, at its discretion.

C. The Landlord shall be entitled, at its discretion, to withhold approval for all or part of the Working Drawings, provided that it does not refuse to approve so on reasonable grounds. Should Working Drawings be submitted to the Landlord, which have been signed and approved by an architect and by electrical and air-conditioning engineers, and which do not deviate from the technical specifications, the Landlord shall approve the drawings within five (5) business days from their date of submission (hereinafter: "**Approval of the Working Drawings**"). Notwithstanding the foregoing, it is clarified that the Landlord will neither approve nor implement the Working Drawings if the work requires that a modification be performed that is

contradictory to the building permit and/or that entails relocating main plumbing lines and/or disturbing the Building systems and/or the Building's exterior walls.

D. The Tenant shall be entitled to appoint a representative on its behalf to supervise the planning and performance of the remodel work, and the Landlord undertakes to cooperate with said representative (hereinafter: the "**Supervisor**").

E. The Landlord undertakes to complete the remodel work by July 1, 2006. It is hereby agreed that any delay in performing the remodel work in accordance with the Working Drawings will lead to a delay in the commencement of the Lease. Should there be a delay of more than twenty-one (21) days in completing the approved Working Drawings after July 1, 2006 that does not result from the Tenant's requests for modifications, the Landlord undertakes to compensate the Tenant in accordance with Section 22.3 below.

8.3. The Landlord will enable the Tenant or anyone on its behalf, including the Tenant's contractors and employees, to perform remodel work and additional infrastructure work at the Leased Premises together with the remodel work performed by the Landlord in accordance with the foregoing. The Tenant declares and consents that the permission it is granted to perform the work on the Leased Premises simultaneous to the Landlord's remodel work shall not be construed as delivery of possession of the Leased Premises, and that until the Lease Period begins, it shall perform the simultaneous work solely as an authorized user. The Tenant undertakes to coordinate the work with the Landlord's project manager. The parties undertake to cooperate in any matter relating to the performance of simultaneous work.

9. PROCEDURE FOR DELIVERY OF POSSESSION OF LEASED PREMISES

9.1. The Landlord will notify the Tenant, by March 26, 2006, of the date for completion of the remodel work and the precise date (between July 1 and July 15, 2006) on which the Landlord intends to deliver possession of the Leased Premises to the Tenant. It is clarified that delivery of possession of the Leased Premises is conditioned upon the Tenant's signature of the Management Agreement, as defined below, and provision of a bank guarantee, as defined below.

9.2. One week prior to delivery of possession of the Leased Premises, the Leased Premises shall be inspected in the presence of representatives of the Tenant and the Landlord, and a protocol of the visit shall be written. The protocol shall contain any detail in which, in the Tenant's opinion, the Leased Premises differ from the specifications of the technical specifications and/or from the Working Drawings. The protocol shall be signed by the Tenant or anyone on its behalf and by a representative of the Landlord. However, this shall not constitute an admission on the part of the Landlord of any alleged defects in the Leased Premises. After the

defects are corrected, an additional inspection shall be made of the Leased Premises and a final delivery protocol shall be written for receiving possession of the Leased Premises.

9.3. Should any inconsistencies or defects exist, which preclude the use of the Leased Premises for the Lease purpose or in order for the Tenant to continue performing work at the Leased Premises, should any work be necessary, the Date of Delivery of Possession shall be postponed for the period of time required for making the repairs. A new protocol will be written, as stated above, on the postponed Date of Delivery of Possession, subject to Section 8.2 above.

9.4. Should any inconsistencies or immaterial defects exist, which do not preclude the Tenant's reasonable use of the Leased Premises, the Tenant undertakes to receive possession of the Leased Premises. This does not derogate from the Landlord's obligation to repair the defects and/or the inconsistencies, insofar as any exist.

9.5. The Landlord shall bear responsibility for repairing any defect or deficiency in the construction of the Leased Premises. The Landlord and/or anyone on its behalf shall repair, at its expense, any defect in the Leased Premises resulting from non-compliance with the technical specifications and/or the Working Drawings and/or from defective work, or from the use of defective materials. In instances where the defect precludes use of the Leased Premises for the Lease purpose, the defect shall be remedied at the earliest possible opportunity. In other instances, the defects shall be remedied within a reasonable amount of time from the Date of Delivery of Possession.

9.6. The Landlord shall not be liable for any inconsistency and/or defect and/or deficiency resulting from the work that the Tenant performs to the Leased Premises not by means of the Landlord and/or by means of materials that the Tenant chose to provide for the Leased Premises, not by means of the Landlord.

9.7. The Date of Delivery of Possession may be delayed as a result of any statutory provision (including a regulation and order) that is not in effect on the date of this Agreement and which causes a statewide delay in construction, state of war, general mobilization, statewide strike or *force majeure*. Should there be a delay as a result of any or all of the foregoing reasons, then the Date of Delivery of Possession shall be extended for the foregoing period of delay. Said delay shall not be deemed a violation of the Agreement on the part of the Landlord, nor shall the Landlord be required to pay the Tenant any compensation on account thereof.

9.8. The Tenant's signature on the final protocol for receipt of possession of the Leased Premises shall constitute evidence of the fact that the Leased Premises have been delivered to the Tenant in accordance with this Agreement, subject to any additional notes that have been added to the protocol.

9.9. Should the Date of Delivery of Possession be postponed due to an act and/or omission of the Tenant, including lateness in submitting the Working Drawings, the Tenant shall be required, in any case, to pay the Rent in accordance with the provisions of this Agreement. The Tenant shall further be required to bear any taxes, payments and expenses applying thereto during the Lease Period, in accordance with the Agreement, as of July 1, 2006 onwards. Should the Date of Delivery of Possession be postponed due to the Landlord's lateness in completing the remodel work, said date shall be postponed in relation to the Landlord's lateness.

10. RENT

10.1. During the Lease Period, the Tenant shall pay the Landlord monthly rent for the Leased Premises, in an amount equal to US$39,300 (Thirty-Nine Thousand Three Hundred U.S. Dollars) plus Value Added Tax (hereinafter: "**Rent**").

The Rent shall be calculated as follows:

For leasing on the fourth floor, which is marked on the drawings attached as Appendix A hereto, monthly Rent equal to US$13,860 (Thirteen Thousand Eight Hundred and Sixty U.S. Dollars) plus Value Added tax.

For leasing on the fifth floor, which is marked on the drawings attached as Appendix A hereto, monthly Rent equal to US$13,860 (Thirteen Thousand Eight Hundred and Sixty U.S. Dollars) plus Value Added tax.

For the area to be leased on the ground floor, which is marked on the drawings attached as Appendix A hereto, monthly Rent equal to US$6,990 (Six Thousand Nine Hundred and Ninety U.S. Dollars) plus Value Added Tax.

For each of the aboveground parking spaces marked on the drawings attached hereto as Appendix B1, monthly Rent equal to US$43.20 (Forty-Three U.S. Dollars and Twenty Cents) plus Value Added Tax.

For each of the covered parking spaces marked on the drawings attached hereto as Appendix B2, monthly Rent equal to US$70.20 (Seventy U.S. Dollars and Twenty Cents) plus Value Added Tax.

10.2. Each installment of the Rent shall be paid in New Israeli Shekels based on the U.S. dollar representative rate known on the date of invoice, as detailed in Section 10.4 below.

10.3. The Rent shall be paid to the Landlord in the following manner:

A. The first five (5) months of the Lease shall be exempt from Rent, as stated in Section 10.5 below.

B. Rent for the sixth month shall be paid at the beginning of the month.

C. From the seventh month of the Lease Period onwards, the Tenant shall pay the Landlord advance Rent for each 3 (three) calendar months.

10.4. The foregoing Rent shall be remitted to the Landlord together with Value Added Tax at the rate determined by law on the date of payment. The Landlord shall issue an invoice against said payments.

10.5. It is hereby agreed that the Tenant shall be exempt from payment of Rent during the first five (5) months of the Lease Period and from the last month of the lease during the seventh year of the lease. This exemption from Rent is granted to the Tenant as a period that has been agreed upon in advance for completion of the remodel work and in order to enable the Tenant to become organized, and is unconnected to the actual duration of time during which the remodel work and organization actually took place. It is hereby clarified that the Tenant shall not be exempt from payment of the management fees, for the entire duration of the Lease Period.

10.6. At the signing of the Agreement, the Tenant shall pay the Landlord an amount equal to US$700,000 (Seven Hundred Thousand U.S. Dollars) plus Value Added Tax, as a down payment on the Rent for the Lease Period (hereinafter: the "**Down Payment**"). At the beginning of each year of the Lease, as of the second year of the Lease Period until the seventh year (inclusive), an amount equal to US$100,000 plus Value Added Tax shall be deducted on account of the Rent for the last lease months of the Lease Period, until the Down Payment has been completely deducted.

As a condition for payment of the Down Payment, the Landlord shall provide the Tenant a bank guarantee equal to US$700,000 plus Value Added Tax. The guarantee amount shall be reduced by US$100,000 at the beginning of each lease year, as of the second year. The guarantee shall be an autonomous, unconditional bank guarantee effective for thirty (30) days from the end of the Lease Period. The guarantee amount shall be dollar-linked and shall be made payable to the Tenant. It is agreed that the Tenant shall not be permitted to exercise its rights under the guarantee, unless the Landlord materially violated the Agreement and the Tenant had provided the Landlord written notice of the violation fourteen days in advance, while the Landlord failed to remedy said violation during this period. The Tenant shall return the guarantee to the Landlord after thirty (30) days have lapsed from the end of the Lease Period or from the termination of the Lease Agreement. The Tenant shall pay the Landlord the cost of the bank guarantee in advance, at the beginning of each lease year. The cost of the bank guarantee shall be in accordance with accepted market practice and not more than 1% of the guarantee balance.

10.7. Unless otherwise instructed by the Landlord, the Tenant shall pay the Rent to the Landlord by means of direct deposit to the bank account of Kidmat High-Tech Sharon (2001) & Co., which is a registered partnership in which all of the parties comprising the Landlord are partners. Said

parties established this partnership for the purpose of constructing the Building. The Rent shall be remitted against issuance of an invoice. The details of the bank account belonging to Kidmat Sharon High-Tech are as follows: Account No. 303800/96, Branch No. 707 of Bank Leumi le-Israel Ltd., in Petach Tikva.

10.8. The Tenant declares that it was informed by the Landlord that a first-ranking mortgage is registered over the Leased Premises in favor of Bank Leumi. Therefore, the Landlord pledges and assigns to Bank Leumi all of its rights vis-à-vis the Tenant. The Landlord further instructs the Tenant to pay all of the monies due from the Tenant to the Landlord under this Agreement, to the account of Kidmat High-Tech, the details of which are provided in Section 10.7 above. The Tenant's signature on this Agreement constitutes its consent and undertaking to act in accordance with the foregoing.

11. MANAGEMENT AND MAINTENANCE OF BUILDING

11.1. For the purpose of performing the services relating to the management and maintenance of the Building, the Landlord has contracted with a professional management company, which shall provide the aforementioned services. This company is N.T.M. Asset Management Ltd. or a separate company controlled by the N.T.M. company, which was established by N.T.M. especially for this purpose.

Appendix E

The Management Agreement is attached hereto as Appendix E, and the Tenant undertakes to sign said agreement as a condition for receiving possession of the Leased Premises. Should the Tenant fail to sign the Management Agreement, its signature on Appendix E shall be deemed to be its signature of the Management Agreement. The Management Agreement shall become effective as of the Date of Delivery of Possession. The Tenant undertakes to fulfill the provisions of the Management Agreement and of any law, regulation, order or bylaw in connection with the Leased Premises, with the possession and with the use thereof. The Tenant shall further bear the consequences of violation of these undertakings. The management company's violation of the Management Agreement shall be considered a violation of this Lease Agreement, provided that the Tenant has provided written notice to the Landlord, by registered mail, of the management company's violation of the Management Agreement, and the Landlord failed to remedy the violation and/or to replace the management company within 30 days of receiving said notice.

11.2. In addition, the Tenant undertakes to pay the complete management fees to the Management Company in a timely fashion. Failure to pay the management fees or lateness in payment thereof shall be deemed for all intents and purposes failure to pay or lateness in paying Rent. This is in addition to the sanctions provided in the Management Agreement in this regard. It is hereby clarified that should the Tenant fail to pay the management fees as a result of any contentions it may have against the Management Company and while the Tenant is in the midst of conducting

negotiations or legal proceedings against the Management Company, failure to pay the management fees shall not be deemed a violation of the Lease Agreement.

11.3. The Landlord undertakes that there will not be an average annual price increase in the management fees exceeding 15%. Should the annual price increase of the management fees exceed 15%, the Landlord shall pay the difference that exceeds the 15%.

11.4. Notwithstanding the statements provided hereinabove and hereinafter and/or in the Management Agreement, the Landlord and the Tenant hereby agree that should a contradiction arise between the provisions of this Agreement and those of the Management Agreement, the provisions of this Agreement shall prevail.

12. ELECTRICITY ACCUMULATOR

The Tenant is aware that electricity shall be supplied to public areas in the Building by means of an accumulator that shall be installed by the Landlord and at the Landlord's expense. Electricity use shall be charged in accordance with the Management Agreement, as detailed therein.

13. TAXES AND OTHER PAYMENTS

13.1. The Tenant undertakes to pay, for the entire Lease Period, all of the taxes, fees, property taxes and mandatory levies, both municipal and governmental, ongoing or one-time, that are imposed and that will be imposed in the future on holders of assets such as the Leased Premises. This includes sign tax, business tax, fees, business permits and licenses, excluding betterment levies. Any payment as aforesaid shall be paid by the Tenant in a timely manner.

13.2. The Tenant undertakes for the entire duration of the Lease Period, to cover, fully and in a timely fashion, any expenses and payments connected with its use of the Leased Premises. This includes payments for electric, water and telephone supply. The Landlord shall cover any payment and/or levy imposed on the owners of assets, including betterment levies.

13.3. The Tenant undertakes to present to the Landlord from time to time, upon the Landlord's reasonable request, all of the receipts and/or approvals proving that the Tenant has paid all of the payments imposed on it under this Agreement.

13.4. The Tenant undertakes to ensure that all bills issued for the Leased Premises by the relevant authorities be transferred in its name. At the end of the Lease Period, the Tenant undertakes to retransfer the records held by the foregoing authorities to the Landlord's name.

14. LIABILITY AND INDEMNIFICATION

14.1. The Landlord and anyone acting on its behalf shall not be held responsible in any manner whatsoever for any damage and/or harm caused to the Tenant and/ or to its property, unless the damage was caused as a result of an act or omission of the Landlord and/or its employees and/or anyone on its behalf. The Tenant hereby waives any claim, argument or demand it may have against the Landlord.

14.2. For the avoidance of doubt and without derogating from the provisions of Section 14.1 above, it is clarified that the Landlord and/or anyone on its behalf shall not bear responsibility and/or any liability for bodily injury and/or loss and/or damage to property of any kind whatsoever that shall be suffered by the Tenant and/or its workers and/or its clients and/or anyone on its behalf. This includes, without derogating from the generality of the foregoing, employees, agents, contractors, clients, visitors and any other person found on the Leased Premises, unless the damage was caused as result of an act or omission of the Landlord and/or anyone on its behalf.

14.3. The Tenant alone shall bear responsibility under law for any direct loss and/or damage to the Leased Premises and/or the Building and/or to the contents thereof and/or to any person and/or corporation, including to its employees and/or to the Landlord and/or to anyone on its behalf and/or to visitors to the Building and/or to any other person, which stems from possession of and/or use of the Leased Premises and/or from any action or omission of the Tenant and/or anyone on its behalf.

14.4. The Tenant undertakes to indemnify the Landlord for any payment that the Landlord pays or is required to pay pursuant to a court judgment, for any damage, loss or injury as stated in Section 14.3 above (including legal expenses). This excludes damage that was caused as a result of an action or omission of the Landlord, and only as a result of a claim for which a conclusive judgment was issued or a settlement was reached. This is provided that the Landlord notifies the Tenant immediately upon being served the claim and grants the Tenant a fair opportunity to defend itself against the claim. The Landlord shall not reach a settlement in the abovementioned claim without receiving the Tenant’s prior written consent.

15. VACATING THE PREMISES

15.1.

15.1.1. The Tenant undertakes to vacate the Leased Premises on the date of vacating the Leased Premises, and shall return possession thereof to the Landlord and/or to anyone so instructed by the Landlord, free from any person or object belonging to the Tenant. This is subject to normal wear and tear resulting from ordinary use. The Leased Premises shall include any renovation, improvement, addition, modification or repair of the Leased Premises. Notwithstanding, the Tenant shall be entitled to remove and take any addition it had installed,

provided that it returns the Leased Premises to its original state, undamaged and in good condition, with the exception of normal wear and tear.

15.1.2. Should the Agreement be terminated as a result of the Tenant's breach thereof under the circumstances set forth herein, or in any other instance in which the Leased Premises have been vacated for any other reason, the Leased Premises shall be delivered to the Landlord or to anyone so instructed by the Landlord, complete with any renovation, improvement, modification or repair made to the Leased Premises. Nevertheless, the Tenant shall be permitted to remove and take any addition it had installed, provided that it returns the Leased Premises to its original state, undamaged and in good condition, with the exception of normal wear and tear.

15.2. Without derogating from any other right of the Landlord under this Agreement and/or under any law, the Tenant undertakes that should it fail to vacate the Leased Premises in accordance with Section 15.1 above, the following conditions will apply:

15.2.1. For the period between the date originally designated for vacating the Leased Premises and the actual date of vacating, the Tenant shall pay the Landlord an amount equal to twice the amount of the last installment of the Rent that it had paid to the Landlord, for each month or any part thereof. The Tenant declares that this amount has been determined and agreed by the parties as fixed damage fees that have been agreed in advance. These fees have been estimated by the parties in advance, with discretion, as the reasonable amount of the damage incurred by the Landlord for failure to vacate the Leased Premises in a timely fashion.

15.2.2. The Landlord shall be entitled to claim and to receive from the Tenant any payment, tax, obligation, expense or any other payment for the period between the date originally designated for vacating the Leased Premises and the actual date of vacating, as if the Lease Period had continued. This shall not derogate from the Tenant's obligation to vacate the Leased Premises. Nothing in receiving the above-detailed amounts creates a leasing relationship between the parties, with respect to the period following the date of vacating the Leased Premises.

15.2.3. The Tenant declares that the Landlord and/or anyone on its behalf shall not be liable in any way whatsoever for any damage whatsoever suffered by the Tenant, insofar as any such damage existed, for any activity whatsoever that is connected to evicting the Tenant and/or equipment and/or property from the Leased Premises and/or for the storage of equipment and property that is required as a result of the Tenant's failure to vacate the Leased

Premises in a timely fashion, provided that the Landlord and/or anyone on its behalf is not to blame for said damage.

16. INSURANCE

16.1. Without derogating from the Tenant's obligations under this Agreement, the Tenant undertakes to take out at its expense the following insurance policies, which shall be in effect from the Date of Delivery of Possession of the Leased Premises until the end of the Lease Period:

16.1.1. Employer's liability insurance – coverage of the Tenant's liability towards its employees, under the Torts Ordinance (New Version). This insurance shall cover the Tenant's employees for death and/or bodily harm that may result from an accident or sickness during and as a result of work. This insurance shall be extended to include indemnification of the Landlord, should the Landlord be considered to be the employers of the Tenant's employees.

16.1.2. Third party insurance – coverage of the Tenant's liability towards any third party, under the Torts Ordinance (New Version), of an amount not less than the shekel equivalent of [US$750,000] per event. Insurance coverage shall include the Landlord's liability, as applicable, for the Tenant's actions and/or omissions.

16.1.3. Property insurance – coverage of the contents of the Leased Premises, including any repair, modification, improvement, renovation and addition of any kind whatsoever to the Leased Premises that were made and/or that will be made by the Tenant and/or on its behalf. Insurance shall cover losses resulting from fire, smoke, lightning, explosions, earthquakes, storms, floods, water damages, damage caused by aircraft, crashes, strikes, riots, intentional damage and damage caused by burglaries and break-ins.

16.2. Notwithstanding any other provisions to the contrary contained herein or in the agreement with the management company, it is hereby stipulated and agreed that the Landlord shall insure, at its expense, the Building structure for its reconstruction value. Insurance shall cover losses detailed in Section 16.1.3 above. The Landlord shall ensure that the insurance policies are kept up to date for the entire Lease Period. The policy shall be expanded to cover loss of Rent that the Tenant was required to pay the Landlord, for a period of not less than twelve months. The Landlord undertakes to use the insurance payments first and foremost for repairing the damage to the Building. It is hereby stipulated and agreed that it is possible that the Building's management company will take out the aforementioned insurance policies and that the insurance costs will be part of the management company expenses that are collected from the Tenant as part of the management fees.

16.3. The following provisions will apply to the policies detailed in Section 16.1 above:

16.3.1. The Tenant shall take out the insurance policies from a lawfully authorized insurance company. The Tenant shall take care to update the insurance amounts. In addition, it shall strictly adhere to the provisions of the policies and pay the premiums in a timely fashion.

16.3.2. The Tenant undertakes that the policy that it takes out under subsection 16.1.3 above shall include an explicit clause, pursuant to which the insurer expressly waives its right of subrogation against the Landlord. Said waiver of subrogation rights shall not apply in favor of a person who causes damage out of malicious intent.

In addition, the policy taken out in accordance with subsection 16.1.3 above shall contain an explicit clause that provides as follows:

"*The insurer declares, undertakes and confirms that its obligations toward the beneficiaries under this contract shall be toward all of the beneficiaries together and each beneficiary separately. The insurer shall be obligated to indemnify and/or to compensate, as applicable, the asset owner in the event a qualifying event occurs that is the result of the fault, negligence, omission and/or even malicious intent of the Tenant*."

16.3.3. The insurance policies shall include a provision that the cancellation and/or modification thereof in connection with the Leased Premises and/or non-renewal of the policies shall be contingent upon a written notice provided to the Landlord by the insurer at least fourteen (14) days prior to canceling, renewing or modifying the insurance policies.

16.3.4. As a condition for receiving possession of the Leased Premises, the Tenant shall provide the Landlord confirmation from the insurance company that the Tenant has been issued the policies that it was required to take out in accordance with Section 16.1 above. In addition, the Tenant shall provide the Landlord, upon prior written request each year, the insurance company's confirmation for the new insurance year, of coverage terms that are not inferior to those of the previous year.

16.3.5. The Tenant undertakes to use the payments made by the insurance company under the policies exclusively for the purpose of repairing the damages subject of the policies, which were sustained by the Leased Premises. Nothing in the foregoing restricts and/or derogates from the Landlord's right to exercise its rights under the policies.

16.4. The Landlord declares that it shall not have any argument and/or demand and/or claim against the Tenant and/or anyone on its behalf regarding any damage, on account of which it is entitled to compensation under any

insurance that the Landlord had taken out. The Landlord hereby releases the Tenant from any liability for the abovementioned damage.

16.5. The above insurance policies that are taken out by the Tenant shall neither restrict nor derogate, in any manner whatsoever, from the Tenant's obligations under this Agreement, nor shall they release the Tenant from its obligation to compensate the Landlord or any other person for any damage for which the Tenant is liable under this Agreement and/or under law.

17. LICENSING AND LICENSES

17.1. The Tenant declares that it is familiar with the terms required for receiving any license necessary for operating its business in the Leased Premises, should any permit be necessary. The Tenant further undertakes to obtain said license personally and at its expense. The Tenant declares that the Landlord shall not be responsible thereto for obtaining any license, as stated above, for the purpose of operating the Tenant's business.

17.2. Should an authorized authority condition the license, under which the Tenant would be able to operate its business in the Leased Premises, upon the performance of modifications to the Leased Premises, the Tenant undertakes to obtain the Landlord's advance written consent to perform any necessary changes, and the Landlord shall not withhold said consent other than on reasonable grounds.

18. COMPLETIONS, ADDITIONS AND MODIFICATIONS – THE TENANT'S WORK

18.1. It is hereby clarified that the Tenant shall not be permitted to perform changes or additional work to the Leased Premises unless it has received the Landlord's advance written consent to do so. It is agreed that the Landlord shall not withhold its consent to the Tenant's request to perform modifications to the Leased Premises without reasonable grounds. In any case, any modifications that the Tenant makes to the Leased Premises shall be performed at the Tenant's expense and on its sole responsibility. This is provided that this work is performed in accordance with the law or a building permit, insofar as any such permit is required. Said work may also be performed provided that the Building's systems, foundation, exterior walls or façade are not disturbed.

18.2. Should the Tenant wish to perform any additions, completions or modifications to the Leased Premises or any other work in addition to that included in the specifications and the Working Drawings (hereinafter: "**Modifications and Additions**"), the Tenant may only perform said work, until it receives possession of the Leased Premises, by means of the Landlord and/or a contractor on its behalf, at the Landlord's discretion and in accordance with its decision.

It is stipulated and agreed that any additions, modifications, completions and work whatsoever that the Tenant desires to perform to the Leased Premises after receiving possession thereof, shall be carried out by the Tenant subject to the provisions of this Agreement and in adherence to the instructions given by the Landlord and/or the management company in this regard. Said instructions shall obligate the Tenant and the remaining users of the Building areas, as if these instructions originally comprised part of the provisions of this Agreement. These instructions include instructions regarding insurance, work hours, safety, entry and exit paths to the property and cleaning procedure, and so forth.

In particular, it is emphasized that the Tenant undertakes that the work that shall be performed by the Tenant or anyone on its behalf, shall be performed under its strict professional supervision. The Tenant shall ensure that the work shall not harm and/or disturb the work and/or the ordinary use of the Building by other tenants or owners of areas within the Building.

18.3. The Landlord shall be willing, but not obligated, to perform for the Tenant the abovementioned Modifications and Additions prior to delivering possession of the Leased Premises to the Tenant, based on the Tenant's written order. For performance of the above work, the Tenant shall submit to the Landlord detailed working drawings that include all of the modifications and additions that it wishes to perform at the Leased Premises, as well as a bill of quantities describing the scope of work.

18.4. After the parties have agreed (insofar as they agree) on the price of the Modifications and Additions, the procedure for payment and the period of performance of the work, the Landlord will then perform said work for the Tenant. Should the Landlord believe that the Modifications and Additions that have been ordered by Tenant, or the scope thereof, requires postponing the Date of Delivery of Possession of the Leased Premises, the Landlord shall provide the Tenant advance notice thereof. In this instance, a new date of delivery of possession will be determined accordingly.

18.5. The Tenant undertakes not to perform, nor to permit or to consent to the performance of any modifications to the exterior of the Building, the Building's foundation, the Building's primary systems and the exterior walls of the property. Should the Tenant violate this obligation, the Landlord may employ any lawful means in order to prevent and/or to remove any such modifications. The Landlord may further seek any other legal relief against the violation, including by means of a mandatory injunction to restore the situation to its original state.

18.6. The term "modifications" in subsection 18.5 above:

Includes the installation of air conditioners or other devices in exterior walls, damage to plaster and/or the outer coating, installation of antennas of any type, installation of pipes for electric wires or any other material on the exterior walls, the installation or hanging of signs on the exterior and

interior of the Building and so forth, and modifications that may disturb the exterior and interior uniform appearance of the Building and the public area.

19. MAINTENACE AND MANAGEMENT OF LEASED PREMISES

19.1. The Tenant undertakes to maintain the Leased Premises in good and sound order, to avoid damaging the Leased Premises and to make immediate repairs, personally and at its expense (insofar as said repair is not the responsibility of the management company) of any defect, damage or malfunction caused by the Tenant and/or by anyone on its behalf and/or by its visitors, clients, employees and/or any other person on its behalf. The Tenant will perform the repairs in such a manner that the Leased Premises are restored to the state they were in prior to the damage, defect or malfunction.

19.2. Should the Tenant fail to make the repairs in accordance with Section 19.1 above, the Landlord shall be permitted, but not obligated, after providing the Tenant 14 (fourteen) days' prior written warning, to make any repair and to do take any action it deems fit for the purpose of repairing the damage and/or restoring the Leased Premises to an appropriate level and standard, as stated above, and/or to restore the situation to its original state, at the Tenant's expense. The Tenant shall pay, immediately upon the Landlord's first demand and without any delay, any amount that was expended by the Landlord for the purpose of carrying out the abovementioned repairs. The bills presented by the Landlord shall constitute *prima facie* evidence of the correctness thereof. The Landlord and/or anyone on its behalf shall be entitled to enter the Leased Premises for the purpose of exercising the Landlord's right under this Section, after providing at least seven days' advance notice thereof and in coordination with the Tenant.

19.3. The Tenant undertakes not to do anything and/or to permit others to do anything to the Leased Premises or any part thereof or in connection therewith that may constitute a hazard or disturbance, or that may cause damage or inconvenience to the Landlord and/or to the other owners and/or tenants in the Building. The Tenant shall be responsible for the consequences of violations of these obligations.

19.4. The Tenant undertakes not to hang signs and/or notices on the façade of the Leased Premises or on an exterior wall of the Leased Premises and/or in any interior area of the Building, without receiving the advance written consent of the Landlord and/or the management company. The Landlord shall likewise ensure that a space is cleared for the Tenant's sign, the shape and location of which shall be determined by the management company.

19.5. The Tenant undertakes to ensure the cleanliness of the Leased Premises and the surrounding area. The Tenant undertakes not to place movables and/or any other object outside of the Leased Premises. The Tenant

further undertakes to avoid causing any nuisance, disturbance, inconvenience or unpleasantness to other tenants and/or owners of other areas of the Building, and to avoid using other areas of the Building, both private and public.

19.6. The Landlord shall be responsible for repairing any defects or deficiencies caused to the Leased Premises or to the structure of the Leased Premises that result from normal wear and tear, insofar as these are not the responsibility of the Tenant under this Agreement, for the entire duration of the Lease Period.

20. FINAL ACCOUNTING

Upon completion of the Lease Period or upon lawful termination of this Agreement, a final accounting will take place between the Landlord and the Tenant, with respect to the Tenant's debts to the Landlord. For the purpose of the final accounting, the Tenant shall provide the Landlord confirmations from any municipal and/or governmental and/or other authority and/or from any other body to which the Tenant undertook, under this Agreement, to remit payments directly. Said confirmations shall show that as of the actual date of vacating, the Tenant has paid all of the payments, including the principal amount and/or interest and/or linkage differentials and/or fines and/or any other debt relating to the Lease Period.

21. SECURITIES

In order to secure the Tenant's obligations under this Agreement, the Tenant has paid a down payment on account of the Rent, which shall be deducted from the Rent in the manner detailed in Section 10.6 above. An amount of up to US$250,000 of the remaining balance of the Down Payment, as it shall be at any given time, shall serve as a security for the Tenant's fulfillment of its obligations under this Agreement.

Up to the date of the beginning of the seventh lease year or on the date on which the remaining balance of the Down Payment stands at US$100,000 (or less), the earlier of the two, the Tenant shall provide the Landlord with a bank guarantee equal to US$100,000 plus Value Added Tax. The guarantee shall be an autonomous, unconditional bank guarantee effective for up to thirty (30) days from the end of the Lease Period. The guarantee amount shall be dollar-linked and shall be made payable to Kidmat High-Tech HaSharon (2001) & Co. The parties agree that the Landlord shall not be entitled to exercise its rights under the guarantee unless the Tenant materially violated the Agreement, and the Landlord provided the Tenant written notice thereof fourteen days in advance, and the Tenant failed to remedy said violation during this period. The Landlord shall return the guarantee to the Tenant after thirty (30) days have lapsed from the end of the Lease Period or from the termination of the Lease Agreement, as applicable. The guarantee shall be returned provided that the Tenant presents to the Landlord confirmations that it has paid all of the payments owed under this Agreement up to the end of the Lease Period or the termination of the Agreement, as stated above.

22. VIOLATIONS, REMEDIES AND CANCELLATION OF AGREEMENT

22.1. The parties agree that Sections 3, 6, 7, 8, 9, 10, 11, 16, 17 and 18 are fundamental clauses, the violation of which shall constitute material violation of this Agreement. Should any other section be materially violated by any of the parties and said material violation is not remedied within thirty (30) days from receipt of written warning from the other party, said section shall also be deemed a fundamental clause, and the violation of this section shall constitute a material violation of this Agreement.

22.2. Without derogating from the foregoing herein and from any remedy granted to the Landlord hereunder, should the Tenant fail to pay in a timely fashion one of the payments it owes hereunder, the following provisions shall apply:

22.2.1. Any amount that the Tenant owes the Landlord pursuant to this Agreement, which is not paid in a timely fashion, shall accrue Interest in Arrears from the date on which the debt was created until the actual payment thereof. This shall be without derogating from any right and/or other remedy granted to the Landlord hereunder and/or under any law.

22.2.2. Should the Tenant fail to meet any of its obligations hereunder in connection with payments that it owes to any third party, the Landlord shall be entitled, but not obligated, after having provided written notice to the Tenant at least ten days in advance, and the Tenant has failed to remit payment within a week of receiving said notice, to make any payment and/or charge, as aforementioned, at its discretion. Thereafter, the Landlord shall be permitted to charge the Tenant for any amount borne by the Landlord, as stated, plus linkage differentials as of the date of payment and until receiving actual reimbursement of said payment.

22.2.3. Should the Tenant be more than ten days late in making any payment due to the Landlord hereunder, and the Tenant fails to remit the payment within a week of receiving written notice thereof from the Landlord, this shall be considered a material violation of this Agreement.

22.3. The parties agree that lateness in delivering possession of the Leased Premises to the Tenant as a result of one or more of the reasons stipulated in Section 9.7 above shall constitute justified lateness and shall not entitle the Tenant to any compensation whatsoever.

It is agreed that any lateness of up to twenty-one (21) days in delivering possession of the Leased Premises to the Tenant shall not entitle the Tenant to any compensation, nor shall said lateness constitute a violation

of the Agreement. Lateness exceeding 21 days shall entitle the Tenant to retroactive compensation from the first day of lateness.

Lateness exceeding the abovementioned date in delivering the Leased Premises to the Tenant shall entitle the Tenant to compensation from the Landlord, in an amount equal to the monthly Rent plus Value Added Tax per each month of lateness and to part of this amount for the proportionate part of a month of lateness.

22.4. The parties hereby stipulate and agree that should any of the parties materially violate all or part of this Agreement or any of the provisions thereof, and the material violation is not remedied within a reasonable amount of time after the violating party has received a written warning thereof, which provides a reasonable amount of time for remedying the violation (in which case this shall constitute a material violation) and/or should the party materially violate the Agreement, the other party shall be entitled to cancel the Agreement. Should the Tenant materially violate the Agreement, the Leased Premises shall be vacated within fifteen days of receiving a letter of demand from the Landlord. Should the Landlord materially violate the Agreement, the Landlord shall take every possible step to ensure that this Agreement is also respected by the Landlord's replacement.

23. TRANSFER OF RIGHTS

23.1. The Tenant undertakes not to assign, transfer, endorse to another party, grant, lease as lessor or pledge in any manner whatsoever all or part of its rights and obligations hereunder to another party or parties, in any manner whatsoever, unless the Landlord has given its advance written consent. The Landlord shall not withhold its consent to the said transfer other than on reasonable grounds, provided that it does not incur any loss or expense as a result of the aforementioned transfer. The parties stipulate and agree that in any case the Landlord shall not permit the Tenant to transfer its rights and obligations in the Leased Premises as long as the Tenant has failed to make the full payments due from it as of the date of transfer, in accordance with this Agreement and/or any applicable law.

23.2. The Tenant hereby undertakes not to permit other parties to share the use and/or possession and/or operation of the Leased Premises. The Tenant further undertakes not to grant to any person or entity possession and/or permission to use and/or any benefit and/or any other right in all or part of the Leased Premises, with or without consideration or in any other manner, without receiving the Landlord's advance written consent. The Landlord shall not withhold its consent to the foregoing other than on reasonable grounds.

23.3. Notwithstanding the statements herein, it is agreed that the Tenant shall be permitted to find a replacement tenant for the Leased Premises, which shall be found satisfactory by the Landlord. The Landlord shall provide its prior written approval of the replacement tenant, at its discretion. In any

case, the Landlord shall have the discretion to decide whether to approve the replacement tenant, as stated above, unless the replacement tenant leases the Leased Premises under terms that are not inferior to the terms of this Lease, and signs a lease agreement that is identical to this Agreement, *mutatis mutandis*, including a management agreement.

The Landlord shall not incur any damage and/or expense of any kind whatsoever that is a result of a change in tenants, including attorney fees.

23.4. The Landlord and/or each of its individuals may, as it sees fit, transfer its rights and obligations hereunder to another party and/or parties, and may sell the Leased Premises. Any transferee may, as it sees fit, transfer its rights and obligations hereunder to another party and/or parties upon providing written notice thereof to the Tenant, without being required to obtain the Tenant's consent to each abovementioned transfer. This is provided that the Tenant's rights under this Agreement are not prejudiced by the said transfer.

24. GENERAL

24.1. The Tenant shall add Value Added Tax, at the rate determined by law on the date of payment, to each payment that it makes pursuant to this Agreement. Said payment shall be made against issuance of a lawful invoice.

24.2. The Tenant is aware that the lots that are adjacent to the Leased Premises and to the Building also belong to the Landlord. Therefore, the Tenant shall not unreasonably object to any additional construction that the Landlord shall perform to the aforementioned adjacent lots, and to any modification to a Town Planning Scheme and/or new Town Planning Scheme initiated by the Landlord.

24.3. The Tenant declares that it is aware that the Leased Premises include a secure area (hereinafter: "**Secure Area**"). The Tenant shall be entitled to use the Secure Area for its personal needs, except during an emergency situation, subject to the permit required from any authorized authority, if any permit is so required. In addition, the Tenant is aware that it shall not be permitted to perform any changes or installations in the Secure Area without the permission of the management company and a lawful permit from the relevant authority.

24.4. The Tenant shall permit a representative on behalf of the Landlord to enter the Leased Premises, after advanced coordination with the Tenant, for the purpose of examining whether the Tenant has fulfilled its obligations hereunder, and in order to show the Leased Premises to future potential buyers and/or tenants.

24.5. Should the Tenant be comprised of more than one individual or more than one legal entity, or if the Tenant is a partnership, the provisions of this Agreement shall apply to each of the parties comprising the Tenant or to

each of the parties comprising the partnership, as applicable. The obligations of the parties comprising the Tenant shall be joint and several.

24.6. Any waiver, pardon or extension granted by the Landlord shall not be valid unless provided explicitly and in writing. Moreover, no waiver, pardon or extension of any violation of this Agreement should be construed or inferred from any action or omission on the part of the Landlord that is not an explicit, written notice. Should the Landlord delay or abstain from exercising any right granted to it hereunder, it shall not be construed as being precluded from doing so. No written waiver in respect of any occurrence or event on one occasion shall be deemed a waiver in respect of any other occurrence or event or such occurrence or event so waived on any other occasion.

24.7. Debts owed by one party to the other may not be offset.

24.8. The parties agree that this Agreement reflects, embodies, constitutes and expresses the entire agreement among the parties with respect to the subject matter hereof, and any representation, promise, understanding, agreement, declaration and/or obligation that is given and/or made, either verbal or written, including by means of a document, a letter, advertising leaflet or brochure shall have no force or effect, nor shall they obligate the parties to this Agreement.

24.9. Any modification to this Agreement shall only be valid if it has been made in writing and signed by the parties hereto.

24.10. The Landlord and the Tenant shall share equally the stamp duty on this Agreement, should any apply.

25. OPTION TO LEASE ADDITIONAL PARKING SPACES

The Tenant shall have the option of immediately leasing from the Landlord an additional 25 (twenty-five) parking spaces in the underground parking lots, after providing written notice thereof to the Landlord no later than the Date of Delivery of Possession. The Landlord is obligated to hold a sufficient number of underground parking spaces for the purpose of the Tenant's exercise of this right (hereinafter: the "**Option**").

Should the Tenant fail to exercise the Option until the Date of Delivery of Possession, the Landlord shall not be obligated to hold the parking spaces in the Building for the Tenant. Instead, the Tenant shall be granted the first right with respect to the last twenty-five (25) vacant underground parking spaces in the Building that are owned by the Landlord (the "**Parking Spaces**"). The Landlord undertakes that prior to leasing the Parking Spaces or any part thereof to a third party, it shall first offer the Parking Spaces to the Tenant on the same terms, by providing a notice thereof at least 14 days in advance.

26. PARTIES' ADDRESSES FOR THE PURPOSES OF THIS AGREEMENT ARE AS DESIGNATED IN THE PREAMBLE HERETO

26.1. After the commencement of the Lease Period, the Leased Premises shall be designated as the Tenant's address for the purpose of this Agreement. Should the Landlord change its address, it shall provide the Tenant notice thereof and its new address shall thereafter serve as the Landlord's address for the purpose of this Agreement.

26.2. Notices sent in connection with this Agreement shall be made in writing and shall be sent by registered mail or by facsimile, or shall be delivered in person. Each notice shall be deemed to have arrived at the address within a reasonable amount of time.

IN WITNESS WHEREOF, the parties hereto affix their signature:

/s/ [Illegible]	/s/ Adi Sapir
The Landlord	**The Tenant**
Aderet Hod Hasharon Ltd.	**Allot Communications Ltd.**
MIRITZ INC.	
Leah and Israel Rubin Assets Ltd.	
Tamar and Moshe Cohen Assets Ltd.	
Drish Assets Ltd.	
S.L.A.A. Assets and Consulting Ltd.	
Iris Katz Ltd.	
Y.A. Groder Investments Ltd.	
Ginotel Hod Hasharon 2000 Ltd.	

List of maintenance services – Appendix 1

1. **Cleaning**

1.1 The cleaning of the stairwells, the corridors, the yard, the access paths, the parking basements, the elevators and the restrooms.

1.2 Sweeping all the areas, washing the stairwells, washing and cleaning and sanitization (when necessary) of garbage storage areas, sanitizing and disinfecting (when needed) against insects in the front of the building and the common areas.

1.3 The supply of toiletries in the restrooms.

2. **Maintenance of the yard**

Maintaining the gardening, facilities, roads and sidewalks.

3. **Doorman**

Operating the doorman and reception services in the Building, safeguarding the public areas.

4. **Plumbing**

4.1 The public water system and the tap system in the common property. Handling of the water reservoir including chemical cleaning.

4.2 Payments for consumption of public water.

4.3 Examining the functioning of the taps, examining the functioning of the pumps, examining the functioning of the piping including carrying out preventative maintenance repairs and fixing of breakdowns when needed.

5. **Sewage**

Cleaning and washing out the control cells, cleaning and washing out the channels, clearing blockages and repairs, when necessary.

6. **Pumps**

Current maintenance, oiling and repairing breakdowns of the cold and hot water pumps in the building, when needed.

7. **Electricity**

7.1 Replacing bulbs, switchers and electricity fuses (in service and public areas).

7.2 Repair and replacement of the automatic switches in the stairwells should they break down.

7.3 Supervision and handling of the electrical and control board panels of the building, including thermographic examination of the electrical board panels and repair of faults in the electrical board panels.

7.4 Arranging lighting in the parking area during all days of the week and all hours of the day.

8. **Elevators**

8.1 Handling and periodic examinations, as required by law, of the elevators and parts thereto.

8.2 Repair of the elevators and replacement of parts.

8.3 Immediate response to every call in the event of a breakdown during regular working hours.

9. **Generators and emergency systems**

9.1 Operating the emergency generators.

9.2 The supply of fuel to the fuel container of emergency generators.

9.3 Monthly maintenance including replacement of distilled water, oil and filters, cleaning and oiling.

9.4 Maintenance of fire sensors' system and sprinklers.

9.5 Management and maintenance of public-address systems.

10. **Glass**

Repair of broken glass and mirrors – in the common areas of the building as well as in the unit.

11. **Air conditioning (chiller)**

11.1 The maintenance of the central air conditioning systems of the building and operating it between the hours of 08:00 to 21:00 on weekdays and between 08:00 and 14:00 on Fridays and the holidays' eves.

11.2 Preventative maintenance and management of the central air conditioning system of the building, including air conditioning channels.

11.3 Response within a reasonable time for every call in the event of a breakdown during normal working hours.

11.4 This clause does not include management of the air conditioning system within the units in the building.

12. **Repairs for which a third party is responsible**

An approach to the landlords and/or the contractor as defined in the purchase contract / lease contract and/or the insurance company, with respect to repair of malfunctions and/or damages to the systems and/or the building within the units and/or the common areas, which are their responsibility, and supervising such repairs.

13. **Multi-annual repairs**

13.1 Repair of the plaster and paint in the stairwell (as needed).

13.2 Repair of the flooring in the entrance and in the parking areas and gardens.

13.3 Repair of the entrance doors.

13.4 Repair of the net, steel or stone fences.

13.5 Repair of mailboxes' locks which broke or are not functioning.

13.6 Painting the net or steel fences.

14. **Insurance**

Handling all matters concerning the issuance of insurance according to the management agreement, payment of insurance premiums, negotiations with insurance companies, handling claims for damages and supervising the restoration of damages.

15. **Miscellaneous**

15.1 The Holders of right to use the parking lot shall be able to enter the parking lot's basements during all days of the week and at all hours of the day.

15.2 Every other service which the management company will decide, with the approval of the landlords and at its discretion, provided that it is required in order to manage and maintain the common areas and/or the common facilities and/or the common systems in the building.

15.3 Depending on the specific agreement with the client.

Appendix 2

Provisions that will apply to the users of the parking garage in the building for parking vehicles

1. The Tenant declares that he examined the location of the parking places allotted to him (hereinafter: "**the parking places**") and found them to be suitable for its use and needs.

2. The Tenant declares that on the request of the Landlords and/or the Management Company, the Tenant will submit an updated report on the identity of all users of the parking places, on its behalf, and their vehicles.

   The Tenant undertakes that the right for parking in the parking places will not be transferred to any others only until after informing the Management Company of this in advance.

3. The Tenant undertakes that it and everyone who will park in the parking places on its behalf in the parking garage will park only in those places allotted to the Tenants and not in any other place.

4. The Tenant undertakes that it and everyone using the parking places on its behalf will comply with the instructions of the Landlords and/or the Management Company in connection with the use of the parking garage and everything connected with behavior in the parking area.

5. The Tenant knows that the parking area and the area of the passages in the area is limited and therefore the Tenant and anyone using the parking space on its behalf will be obligated to drive in the area of the parking garage with special care, and be considerate and polite to the other users.

6. The Tenant declares that it and all the users of the parking places on its behalf know that no guard will be placed at the entrance to the parking garage and that the automatic barrier at the entrance to the parking garage is not protection and/or a security against the theft of vehicles parked in the parking garage or against the theft of anything from the vehicles parked in the garage.

7. The Tenant knows and undertakes on behalf of all the users of the parking places on its behalf, that the Landlord and/or the Management Company will not have any responsibility for any damage caused in the area of the garage to any vehicle at the time of its parking in the garage and/or entry to the garage and/or exit from the garage and every damage due to accidents of any types whatsoever in the area of the parking garage.

8. The Tenant declares that he and all the users of the parking places on its behalf know that the Management Company and/or the Landlords do not have any insurance for damage of any type whatsoever caused to the vehicles parked and/or staying and/or using the parking garage and in every case of damage of any type whatsoever, the Management Company and the Landlords will be exempt from any responsibility and/or liability.

9. The Tenant and all the users of the parking places on its behalf know that the Landlords and/or the Management Company are not and will not be responsible for guarding the vehicles that park in the garage and that the provisions of the Guard Law 5727 – 1967, will not apply to this agreement in general and to the parking of a vehicle in the garage in particular, and therefore none of them will have any responsibility for breaking into a vehicle and/or theft of any vehicle and/or damage to the vehicle which will occurre within the area of the parking garage.

10. The Tenant undertakes that anyone who parks in the parking places on its behalf (hereinafter: "**a User**") will have all the provisions of this appendix and the following explained or clarified to that person:

    10.1 That a user in the parking garage must indemnify any party and/or the owners of the garage and/or the Landlords and/or the Management Company for any damage caused by his vehicle in the garage;

    10.2 That any damage and/or loss caused in the area of the parking garage to a person and/or to a vehicle as a result of the use of the parking garage will be handled by the vehicle's owner in the framework of existing vehicle insurance and that the user and/or the insurance company on his behalf undertake not to claim from the Landlords and/or the Management Company for such damages.

11. The Tenant knows that anyone who manages the parking garage may, after issuing warning of this, vacate the area of the parking garage of every parking car without authority and/or contrary to instructions, and that the owner of the parking garage and anyone who manages the parking garage and/or anyone on their behalf will not be responsible for any damage caused as a result of such an occurrence.

12. The Tenant was informed that it must not leave keys in the vehicle and must not hand them to any of the parking garage employees.

    Notwithstanding the aforesaid, should the Tenant or anyone on its behalf decide, for any reason, to leave the keys in the vehicle and/or to deposit them with the parking garage employees, then the Tenant declares that it is aware of the risks connected with this, including in view of the possibility of duplication of the keys and/or making any use of them illegally by the parking garage employees and/or any other person, whether maliciously or in error.

    Therefore; the Tenant exempts the Landlords and the Management Company and everyone on their behalf from any liability for any damage or loss caused as a result of depositing and/or leaving the keys, as mentioned above.

Appendix C-1
The Kidmat Hi Tech — Hod Hasharon Project
Technical Specification Schedule for Internal Finishing Work

Work Schedule for the Offices in the 4th, 5th Floor and the Offices in the Ground Floor

1. Concrete pillars/walls and construction

   Plastered or covered with plasterboards and painted with Supacryl.

2. Partitions

   Single chrome plaster boards with rock-wool acoustic insulation with a density of 80 kg/cubic meter. Painting with Supacryl. The quantity of internal partitions will be: 1 sq. meter of partition per sq. meter net of the area of the unit. Partitions between the different units and/or between public areas and the unit: double chrome plaster boards with the aforementioned rock-wool density. All the aforementioned is in accordance with the architectural plan attached to the contract.

3. Plaster walls

   These will be erected from a concrete floor to a concrete ceiling, including the internal insulation. Unit depressions concrete and pillars. These depressions and pillars will be covered with plaster walls

4. Artificial Ceilings

   - A mineral semi-sunken acoustic ceiling with dimensions of 60/60 and at a basic price of NIS 40 per sq. meter. L + Z profiles at the joints between ceiling and walls.
   - 5% of the total unit area lowered with plaster ceilings (cornice).
   - At the joint between a round (curtain) wall and an acoustic ceiling, the joint must be made using a plaster ceiling, without relating to the 5% in the schedule.
   - Paint shades for the walls and lowering plaster according to the client’s preference.

5. In the rooms, a carpet at a basic price of NIS 65 per sq. meter.

6. In the corridors and entrance porcelain granite at a basic price of NIS 60 per sq. meter + the cost of labor NIS20 per sq. meter – A total of NIS 80 per sq. meter.

   a. Replacing granite porcelain for lamination parquets in the corridors and entrance, a total of 160 sq. meters. The price of parquets including work is NIS120 per sq. meter.

   b. In the storeroom – Ant-static linoleum, the difference in price for the anti-static is at the tenant’s expense.

   c. In the computer room and laboratory — Ant-static linoleum, the difference in price is at the tenant’s expense.

d. Changing 150 sq. meters of the laboratories from carpets to anti-static linoleum — The price of the anti-static linoleum, material including work — NIS115 per sq. meter.

7. Entrance Door

a. Security door with an oil return and Shakal Handle, transparent or milky tempered 10 mm thick glass according to the client's preference.

b. In the main opening fifth floor a double security door.

8. Interior Doors

Lamino Pandoor doors with straight lintels, the fittings will be from the Pandoor Company's stock – The number of doors is according to the architectural plan attached to the contract.

9. Electricity

a. The size of the electrical connection for each unit is based on 60 Watts per sq. meter illumination and apparatus load (fed by the Israel Electric Company) with the addition of heating and air-conditioning loads according to the air-conditioning consultant's calculations (fed by the public connection in the building).

b. Paz-Or Model 54430 Darklight reflector fluorescent 4 x 18 watt illumination bodies from the Gaash Company, including a reflector, illumination at a level of 600 lux, planning by an electrical engineer.

c. Replacing 100 standard parvol bodies of Hampert with 150 25 x 25 parvol bodies with dimmers at a price of NIS 250 per body in accordance with Allot's decision.

d. Replacing 60 parvol bodies of Hampert with 100 PL lights at a price of up to NIS120 per body in accordance with Allot's decision.

e. Emergency sign illumination body, including a nickel cadium battery, fluorescent light. To be installed above the entrance door to each unit. Quantity: a single illumination point for each unit entrance door of the office.

f. Electrical accessories:

i Switches – Produced by Gavis or equivalent according to Allot's decision.

ii Electrical plugs, communication jacks — integral accessories (boxes) as detailed below in this paragraph will be manufactured by Adaplast or Simabox (cost differences compared with D.I.G. Modolux model, if existing, to be paid according to the arrangement between the parties to the agreement).

A total of 475 electrical points that contain 6 electricity points ands 4 communication points in one box.

A single electrical plug every 10 meters in the public areas

An electrical plug in the central communications cupboard and a plug for the alarm system.

g. Allot will execute the electrical and communications work including boards, in the laboratories and communications room by itself and at its expense.

h. A connection point for air-conditioning units, including a thermostat for each air-conditioning unit.

i. A complete electrical cupboard including inspection by an authorized inspector, as aforementioned for the fire-extinguishing system.

j. Order for an electricity connection that supports the anticipated electricity consumption (to remove any doubt – including in the laboratories) from the Israel Electric Company will be executed by the contractor at his expense. Allot will provide an anticipated electricity consumption table for the laboratories.

10. Air-conditioning

a. Nachshon blowers will be set up in the office units. The blowers will be fed by means of water piping with a two pipe spread. The blower units will have electrical heating bodies. Operation using a thermostat for each Nachshon blower unit.

b. Fresh, filtered and treated air will be supplied to all the rooms, via channels, from the fresh air treatment unit setup on the roof of the building, 2 air changes per hour.

c. Complete air-conditioning planning according to the air-conditioning engineer's plan. A control switch for the air-conditioning in each room.

11. The sprinkler system

Decorative sprinklers will be installed over the entire unit area, adapted to the acoustic ceiling.

12. Fire and smoke detection system, gas extinguisher, alarm system

A. fire detection system, gas extinguisher and alarm will be installed wherever required by the fire extinguishing services

13. Interior windows

Transparent or milky glass on a fixed glass base in an L or U profile 25 70 x 10 units, 20 50 x 200 units according to the standard.

14. Kitchens on each floor

3.10 bottom cupboard + upper cupboard = 6.20 sq. meters + the existing kitchen unit on each floor

1.20 bottom cupboard + upper cupboard = 2.40 sq. meters + existing kitchen unit on each floor.

In each kitchen: Marble surface, sink, plumbing, tap, 3 rows of ceramic tiles above the marble from the sample stock provided by the company.

Remarks

In the conference rooms, Allot will make folding acoustic doors that enable dividing the rooms, at its expense.

Changes in the plans at a level of 20% (quantities and locations) are possible.

Technical Specification Schedule for the Laboratory and Storeroom Areas on the Ground Floor

1. Storeroom

   Illumination, painting, air-conditioning, electrical and communications points, 2 double doors (for a broad portal), kitchenette, anti-static linoleum covering for the floors (the difference in price for the anti-static is at the tenant's expense).

2. Laboratory

   Acoustic ceiling, air-conditioning, painting, illumination, anti-static linoleum covering for the floors (the difference in price for the anti-static is at the tenant's expense) (Laboratory electricity by Allot).

Appendix E
Management Agreement

Entered into in Ramat Gan, as of
the 13th day of the month of February 2006

By and between:

Allot Communications Ltd., P.C. 51-239477-6
5 **Hanagar, Hod Hasharon**

By its authorized signatories, Mr. Yigal Jacoby and Mr. Adi Sapir
(hereinafter: the "**Holder**")

Of the first part;

And

N.T.M. Property Management Ltd.
P.C. _____
(hereinafter: the "**Management Company**")

Of the second part;

WHEREAS the Holder has leased the Unit, as defined below; and

WHEREAS the nature and standard of the Project and the Building require that the maintenance and management of the Building, as well as the performance of the Services, as defined below, be supervised by one professional body, which shall ensure that these are executed at the appropriate standard in a unique, routine and consistent manner; and

WHEREAS the Holder desires and consents that the Management Company exclusively administrate and perform these services, and the Management Company has consented to undertake to fulfill this position, all subject to the provisions of this Agreement;

DEFINITIONS

Unless otherwise required by context, the following terms shall have the meaning stated alongside them, as follows:

"Project" -	The Building, which includes areas for offices, trade, parking, storage and for any other purpose and/or any purpose that shall be permitted in the future under any law.
"Building" -	The building that was constructed on the property (Temporary Lot 8, based on TPS (Town Planning

	Scheme) HR/MK/8 and the modifications thereto, which is located on part of Lot 9 Parcel 6574 in Hod Hasharon), as part of the Project.
"Unit"-	The leased premises in the Building that the Holder leased from the landlords, which is located on the fourth and fifth floor and the western ground floor of the Building.
"Net Area of the Unit"-	The entire area that appears in the drawings attached as Appendix A to the Lease Agreement and marked in (color) _____, including any protrusion, structure, pole, interior space, partition and/or wall that is located, if any, within the Unit and the entire floor area under the exterior walls of the Unit, even if these serve as a joint wall for the Unit and another unit and/or property.
"Gross Area of Unit" -	The net area plus 25% of the Net Area of the Unit, or **3,646** square meters.
"Lease Agreement" -	The agreement pursuant to which the Holder leased the Unit from the Landlords, to which this Management Agreement is attached as Appendix A.
"Landlords" -	The lessors that leased the Unit to the Holder, in accordance with the Lease Agreement.
"The Joint Areas" -	All of the areas in the Building that are defined as joint property by law and/or by the building regulations that shall be registered. This includes the facilities and areas that are located inside or that service the Building and the Project, or which are used by all of the tenants, even if they are not part of the joint property.
"Facilities" -	Air-conditioning, elevators, electrical, lighting, plumbing and water systems and facilities, and restrooms, fire extinguishment systems, and sewage and canal systems that were intended, or which the Management Company designates from time to time, for common use by unit holders and/or by all or most of the users of the Building or the Project, directly or indirectly, regardless of whether these are located within the Building.
"Services" -	The management, operation, repair, maintenance, equipment renewal, funds for equipment renewal and replacement, cleanings, inspection, repairs, lighting, gate keeping, gardening and insurance of the Joint Areas and Facilities, as defined above, and of facilities and areas in the Project that service and/or that are used by all of the

tenants in the Building. Without derogating from the generality of the foregoing, the Management Company shall be permitted, at its discretion, to manage, execute, initiate and provide all or part of the services that are detailed in the list that is attached hereto as Appendix 1, for the public areas.

Considering the unique nature and complexity of the Project and the Building, and for the purpose of maintaining a suitable standard for the Building and the services provided, said Services may also include services such as structural insurance, third party insurance providing coverage for possible damage to persons or property, including in the Joint Areas, and other additional insurances. This also includes payment of taxes and mandatory payments of any kind that apply to the Joint Areas, as well as cleaning the Joint Areas and the operation and provision of various services to the tenants of the Building, for their benefit and enjoyment, all at the discretion of the Management Company.

"**Owners Representation**" - Representation that shall be appointed from time to time by the holders of the majority of ownership rights in the Building.

NOW, THEREFORE, the parties stipulate and agree as follows:

1. PREAMBLE AND APPENDICES

1.1. The preamble hereto, including any definitions and declarations included therein, and the appendices thereto, constitute an integral part hereof.

1.2. The headings of the Agreement are for the parties' convenience only and are not to be considered in construing or interpreting this Agreement and/or the terms thereof.

2. NATURE OF AGREEMENT

2.1. The Management Company undertakes the exclusive management and performance of the Services and the Holder give its consent thereto. The Holder further exclusively grants to the Management Company the management and performance of the Services, which are to be performed on the standards of the Building and the Project, and on the terms and for the consideration detailed herein.

The Holder undertakes not to perform the Services and/or any part thereof by itself and/or by means of any other party, other than the Management Company.

2.2. The Management Company shall be entitled, from time to time and at its sole discretion, to determine the scope, nature and level of frequency of the Services and which part of the Services will be provided to the Joint Areas or to specific parts thereof, as well as the times and method of supply, provided that the Services are provided on the standard common to similar buildings in the area.

Notwithstanding the foregoing, the parties hereby agree that the Management Company shall be obligated, in any case, to provide all of the Services detailed in **Appendix 1** hereto as a minimum service package.

2.3. The Management Company shall be entitled to contract, from time to time, with another party, for the joint use and maintenance of the facilities, systems and areas in the Project that service the Building and part or other parts of the Project. Said contract would relate to the distribution of expenses for the said joint use.

2.4. The Holder hereby grants power of attorney to the Management Company to receive possession and/or the use of the Joint Areas, and the Management Company undertakes to take possession thereof.

3. DATE OF COMMENCEMENT OF PROVISION OF SERVICES

3.1. The Management Company undertakes to manage and to provide the Services as of the date of delivery of the Unit to the Holder, in accordance with the Lease Agreement (hereinafter: the "**Determining Date**").

3.2. The Management Company shall be entitled to commence the management and provision of the Services even prior to the Determining Date, insofar as this is reasonably required and unrelated to the number of units that have already been occupied in practice, in the Building and/or in the Project. For the avoidance of doubt, the Holder shall not be required to remit any payment for expenses and Services that were provided prior to the Determining Date.

3.3. The Holder undertakes to fulfill all of the obligations imposed on it hereunder, including payment of the Expenses and the Management Fees, as defined herein, as of the Determining Date. This shall be the case even if the Holder has not yet occupied the Unit.

4. INSTRUCTIONS AND PROCEDURE

4.1. The Management Company shall from time to time determine instructions and procedures in connection with the management and provision of Services, as it sees fit. This is provided that said instructions do not explicitly contradict the provisions of this Agreement or affect the reasonable use of the Unit. The Holder undertakes to comply with said instructions and procedures.

4.2. The Management Company shall determine reasonable rules of conduct that would be binding upon all of the users of the Units in the Building and the Project. This is in order to ensure the standard of the Project and/or in order to prevent disturbances and nuisances to the holders and users of the units in the Building and/or in any part thereof.

4.3. The Management Company shall be entitled to designate areas within the Joint Areas to be used for accessways, cables, piping, facilities, installation of antennas, tanks and similar devices that serve the Building.

4.4. The Management Company shall be entitled to determine reasonable guidelines with respect to entry and exit, safety, access to the Joint Areas, manner of use of the Joint Areas and regulations governing the use of the parking spaces, among other things.

4.5. The Management Company shall maintain in its offices an orderly file, which shall contain the current regulations determined by the Management Company (such as safety regulations, fire extinguishment regulations, procedure for signs on the interior and exterior of the Building, use of the load elevator and replacement of windows in the Building). The file shall be available for the holders' perusal during the Management Company's normal business hours.

5. UNDERTAKINGS OF THE MANAGEMENT COMPANY

The Management Company hereby undertakes as follows:

5.1. To employ a network of technical, professional and managerial employees to perform the work entailed in managing and performing the Services. In addition, the Management Company shall also be entitled to manage and perform all or part of the Services by means of contractors, subcontractors, staff, experts, consultants and workers, or by any other means determined by the Management Company, at its discretion. This includes employing full-time or part-time employees, pursuant to a special agreement or to any other terms, as it deems fit.

5.2. The Management Company shall maintain an office with a telephone connection, from which it shall supervise the management and performance of the Services.

5.3. The Management Company shall keep separate and orderly records of its expenses and income, as stated in Section 12 below. The Holder may contact the Management Company during ordinary business hours for any clarification and/or question regarding the management and performance of the Services and/or with respect to the activities of the Management Company. The Management Company shall act in this regard in accordance with Section 13 below.

6. HOLDER'S UNDERTAKINGS

The Holder hereby undertakes as follows:

6.1. To maintain communication with the Management Company in connection with matters relating to the management and/or performance of Services in the Project hereunder, and to participate in the expenses entailed in the management and performance of the Services, on the basis of an index that shall be determined by the Management Company under this Agreement and approved by its accountant (hereinafter: the "**Maintenance**"), all as stated in the provisions of this Agreement.

6.2. To refrain from carrying out, personally or by means of others, any activity and/or treatment and/or service that has been granted to the Management Company under this Agreement. This is unless the Management Company has given its written consent prior to carrying out the activity or treatment and/or should the Management Company fail to fulfill its obligations under this Agreement even after the Holder has provided written warning to the Management Company and the Landlords a reasonable time (based on the particular circumstances) in advance.

6.3. The Holder or anyone acting on its behalf shall cooperate with the Management Company and shall provide it assistance on any occasion in which said cooperation or assistance is required in order to enable the sound and orderly management and/or performance of the Services.

6.4. To personally adhere to the instructions and/or regulations issued by the Management Company in Section 4 above, and all of the instructions applying to all of the users of the Building's parking lot, a description of which is attached as **Appendix 2** to the Lease Agreement and the Management Agreement. The Holder will further ensure that all of the parties sharing the use of the Unit, as well as any visitor to the Building or Project on its behalf, adhere to these instructions.

6.5. To permit the Management Company and anyone on its behalf, after providing written notice, if possible (with the exception of emergency situations), to enter the Unit in order to perform work relating to the management and performance of Services. This is regardless of whether this work is performed in connection with the Holder's Unit and/or in connection with another unit in the Building and/or for the purpose of performing repairs to the Joint Areas. This includes opening walls, flooring, ceilings and other parts of the Building, and replacing or repairing plumbing and other systems and facilities, and to perform any work that the Management Company deems necessary for the purpose of performing the Services hereunder. The Holder shall not have any argument towards the Management Company regarding any disturbance and/or indirect damage it suffered as a result of the foregoing, other than on reasonable grounds only. Should any such activity be required, the Management Company will take the necessary steps to ensure that the disturbance to the Holder is minimal and in order to restore the Unit to its original state at the earliest possibility.

For the avoidance of doubt and without derogating from the generality of the foregoing, the Holder undertakes to permit representatives of the Management Company to enter the Unit at any reasonable time and in advance coordination, in order to clean the exterior glass.

6.6. To inform the Management Company at the earliest possible opportunity (based on the circumstances, with the appropriate urgency) of any malfunction requiring action on the part of the Management Company.

6.7. To agree to have this Agreement registered with the Land Registry Office. This Agreement shall be registered by attaching it to the building regulations and/or to the lease deed and/or by any other means, at the discretion of the Landlords.

6.8. The Holder is aware that during an emergency situation, it will be required to vacate the secure room/s within the Unit and to make them available to all of the unit holders on the same floor. Therefore, the Holder undertakes to act accordingly during emergency situations and to make these secure areas available to the Management Company in accordance with the guidelines determined by the Management Company. Should the Holder fail to vacate the secure room and/or rooms on the date determined by the Management Company, the Management Company shall be entitled to enter the secure room and/or rooms in order to vacate them personally, without providing any additional warning to the Holder.

7. PAYMENTS OF EXPENSES RELATED TO THE MANAGEMENT AND PERFORMANCE OF SERVICES

7.1. The Holder undertakes to pay the maintenance fees to the Management Company, together with the holders of the other units. These fees shall include all of the expenses incurred by the Management Company and the costs entailed in managing and performing the Services, including overhead costs and the depreciation fund (as defined in Section 7.3 below), and the Management Fees detailed in Section 8 below (hereinafter jointly called: the "**Expenses**"). The Holder's share in the total Expenses shall be proportionate to the ratio of the gross area of the Holder's Unit and the gross area of the Building, which is 9,037 square meters (i.e., currently, the Unit constitutes 40% of the area of the Building).

Should part of the Expenses be expended in connection with the Services or any part of them, which the Management Company believes are provided to or serve only part of the Building units, then the Management Company shall charge the holders of these units, or principally the holders of these units, for these expenses. The charge shall be made based on an index determined by the Management Company, at its reasonable discretion. A written certificate signed by the accountant of the Management Company shall constitute conclusive and decisive evidence of the index for the distribution of the Expenses among the tenants of the Building.

Should part of the Expenses be expended in connection with the Services or any part thereof, with respect to which the Landlords and/or any of the owners of the Building and/or the contractor (as defined in the Purchase/Lease Agreement) and/or the insurance company have any obligations, the Management Company shall contact the responsible party and shall supervise said party's handling of the matter, at the party's expense. Should the Management Company bear the expenses and/or payments in this regard, it shall thereafter collect these expenses from the responsible party, and these expenses shall not be included in the Expenses that are collected from the holders.

7.2. The Management Company shall include in the Expenses amounts that are intended to cover the depreciation of the Facilities, the Joint Areas and the equipment, as well as the systems and facilities of the Management Company that are necessary for the performance of the Services, or any part thereof, at the exclusive discretion of the Management Company (hereinafter: the "**Depreciation Fund**"). The parties hereby stipulate and agree that the amounts set aside for the Depreciation Fund shall not exceed 2% of the Expenses.

The Depreciation Fund amounts shall be considered to have been deposited with the Management Company, and it shall deposit the amounts in a separate account, to be held in trust for each of the holders of the Building units. The Depreciation Fund amounts shall be used for the addition, renewal or replacement of said equipment, systems and facilities, and shall not be returned to the holders. The Management Agreement shall invest the Depreciation Fund amounts in solid investments in order to maintain their value.

The parties agree that the Management Company shall be entitled to replace and/or to renew equipment and/or systems and/or any facility at its sole discretion.

7.3. Without derogating from the generality of the definition of the term "Expenses" and for the avoidance of doubt, it is clarified that the Expenses shall include all of the expenses of the Management Company that are connected to the Building. This includes expenses for the employment of workers, various service providers, consultants and/or independent contractors and/or subcontractors, an accountant, attorney and safety consultant, as well as expenses for materials, work tools, replacement parts, equipment for shelters, leasing fees for the Management Company office, property tax and expenses entailed in the maintenance and operation of the Management Company's office. This also includes financing expenses, including interest, charges etc., as well as expenses for insurance, taxes, fees and municipal and governmental levies applying to the Joint Areas, insofar as they are not imposed directly on the holders. This also includes expenses for electricity, water, telephone, sewage and garbage disposal.

7.4. Notwithstanding the foregoing in Section 7 above, should the Management Company operate and/or provide special services that are made available to

the tenants of the Building, such as the supply of cigarettes, candy, newspapers, journals, books, writing materials, office supplies, a dressing room, a shower room, resting rooms, meeting rooms, lecture halls, waiting rooms, screening rooms, photocopying services and parking services, these services shall not be included in the definition of "Expenses" herein. Instead, the Management Company shall be entitled to charge a consideration and/or require reimbursement of its expenses in this regard only from the parties that were provided the abovementioned services. Nothing in the foregoing shall be deemed authorization to the Management Company to supply and/or to operate any of the above services, as the provision and/or operation of the abovementioned services is contingent upon receiving the Landlords' advance approval.

The parties agree that all of the direct and indirect expenses entailed in the provision of the additional services, as stated above, shall be recorded on separate pages in the Management Company's books.

7.5. The Holder's refusal and/or unwillingness to receive any service (with the exception of the services described in Section 7.6 above, and/or its desire to terminate the management and/or performance of all or part of the Services under this Agreement, shall not release the Holder from its obligation to participate in all or part of the Expenses, in accordance with the provisions of this Agreement.

7.6. Notwithstanding the provisions hereinabove and hereinafter, the parties agree that for the first year of this Management Agreement, the Management Fees that the Holder shall be required to pay to the Management Company in 2006 shall not exceed the amount of US$3.50 per square meter (including electricity for the air-conditioning), based on the Net Area of the Unit (hereinafter: the "**Management Fees**").

8. MANAGEMENT FEES AND VALUE ADDED TAX

In consideration for performing its obligations hereunder, the Management Company shall be entitled to management fees at a rate of 15% (fifteen percent) of the entire expenses entailed in the management and performance of the Services in the Project.

The Management Fees shall be added to each invoice and shall be paid by the Holder together with the payments detailed in Section 9 below. The Management Fees shall be considered, for all intents and purposes, as part of the expenses entailed in managing and performing the Services.

Value Added Tax shall be added to each installment of the Expenses and to the Management Fees, at the rates applying at the time of each payment. The Management Company shall issue a lawful invoice against said payment. The Value Added Tax shall be paid together with each payment hereunder.

9. DATES OF PAYMENT

9.1. The Holder undertakes to pay the Management Company its share of the Expenses and the Management Fees plus the applicable Value Added Tax, each quarter in advance, within seven days of receiving an invoice from the Management Company. Said invoice shall be prepared on the basis of an estimation of the anticipated expenses, at the discretion of the Management Company.

9.2. The Holder hereby undertakes to pay the Management Company its share of the Expenses, whether it holds all or part of the Unit in practice and/or if it leases the Unit and/or has transferred the use thereof to another party, and even if the Unit is not in use at all.

9.3. Within a period that does not exceed six (6) months following December 31 of each year, the Management Company shall make a final accounting of all of the Expenses for the previous year (including the Depreciation Fund and Management Fees) (hereinafter: the "**Annual Accounting**"), and shall issue a copy of this Accounting to the Holder. The Annual Accounting, audited and signed by the accountant of the Management Company, shall constitute *prima facie* evidence of the amount of expenses.

9.4. Should the Annual Accounting show a discrepancy in the Management Company's favor in the payments that the Holder paid the Management Company in practice during the year, and the amount due according to the final accounting, the Holder shall pay the Management Company the difference in amount. The payment shall be remitted within thirty days from the date on which the Management Company submitted to the Holder the Annual Accounting and the calculation of the difference. Should there be a monetary difference in favor of the Holder, the Management Company shall credit the Holder for the amount by offsetting, to the extent possible, the Holder's debts towards the Management Company during the current year. Should offset not be possible, the Management Company shall return the difference to the party authorized to receive said amount.

10. INTEREST IN ARREARS

Should the Holder be late by more than seven days in remitting any payment to the Management Company, the Management Company shall provide the Holder written notice thereof. Should the Holder fail to remit payment within seven days from receiving the notice, the Holder shall be obligated to pay the Management Company interest in arrears for the arrears period, at the rate used by Bank Hapoalim for excessive and unauthorized withdrawals from debit accounts.

11. CANCELLED

12. BOOKS OF THE MANAGEMENT COMPANY

The Management Company shall keep ledgers, lists, accounts and expenses, reports and documents relating to bill collection and expenses, among other things.

The Management Company undertakes to keep orderly and separate books of all of its expenses and income relating to the management and performance of the Services as a closed monetary economy, including a separate card for the Holder and for each of the unit holders in the Building, and for each expense.

The Management Company shall retain an authorized accountant for the purpose of examining its books and preparing balance sheets. The accountant's salary shall be considered an expense.

The books and accounts of the Management Company shall be calculated and shall be held correct by the Holder. Said books and accounts shall constitute *prima facie* evidence at all times in connection with payments due from the Holder and/or that the Holder paid the Management Company.

13. ACCOUNTS, INFORMATION AND CLARIFICATIONS

13.1. The Holder is entitled to receive explanations pertaining to the expenses entailed in the management of the Services in the Building and to examine the bookkeeping records relating thereto. The dates of the clarifications shall be determined by the Management Company, at its discretion, but no later than fourteen days following the Holder's request.

13.2. The Holder, together with the other holders of units in the Building, shall establish a representative body for issues pertaining to maintenance of the Building and the provision of Services therein. The Management Company shall maintain ongoing communication with the said representation for the purpose of improving the Services and making them more effective on the one hand, and in order to economize on expenses related to the management of the Services, on the other hand.

14. LIABILITY AND INSURANCE OF THE MANAGEMENT COMPANY

14.1. The Management Company shall not be liable for any damage and/or loss incurred by the Holder as a result of any deficiency and/or defect and/or break and/or delay in the provision of any of the Services in the Building and in the Project and/or any of the other services provided by the Management Company, insofar as any are provided, if they are due to reasons not dependent on the Management Company and/or the Management Company does not have any control over them.

14.2. The gatekeeper services and/or reception in the Building and/or the Project shall be determined by the Management Company from time to time, at its sole discretion. However, not withstanding the foregoing, under no circumstances shall the Management Company be considered a watchman of any type whatsoever, of the Units and/or the contents therein and/or of any area included in the Building and/or the Project and/or in the Joint Areas and/or the Facilities, for the purpose of and/or in connection with the Watchmen Law 5727-1967 and/or in connection with the liability thereunder and/or liability of a similar type, or a contractual and/or tort-related and/or other type of liability.

14.3. The Management Company shall not be liable towards the Holder and/or towards any third party for any damage and/or expenses incurred as a result of any service whatsoever that is provided in the Building by a third party that is not the Management Company. This is provided that if the service provider was retained by the Management Company, the Management Company confirmed in advance that said provider held valid professional liability insurance, which provides sufficient coverage for damage that may be caused as a result of the service provider's activity in the Building. In any case, the Management Company shall be liable towards the service provider that it retains.

14.4. Notwithstanding the foregoing, the Management Company shall be entitled to insure its potential liability, including its professional liability of any kind, against risks and/or for damage and/or towards any third parties whatsoever.

14.5. The Management Company shall be entitled to take out employers' insurance for all of its employees involved in the performance of the Services. The insurance may further provide coverage for employers' liability and a compensation fund in the event said employees are entitled to seniority compensation and severance pay, and any other and/or similar insurance.

14.6. Premium payments and expenses that are paid by the Management Company for the insurances that it shall take out pursuant to Section 14 above, shall be considered part of the Expenses of the Management Company.

15. INSURANCE

15.1. The Management Company undertakes to take out and maintain, from the Determining Date onwards, all of the following insurances:

15.1.1. **Building structure insurance** – without derogating from the generality of the definition "**Building**," this includes the structure of the Unit and systems therein (intended for common use by all of the users in the Building) for full reconstruction value (said insurance shall not include additions and modifications that were made by and/or for the Holder). Said insurance provides protection against losses commonly covered by extended fire insurance. This includes, without derogating from the generality of the foregoing, coverage for losses resulting from fire, smoke, lightning, explosions, storms, floods, water damage, impact, damage by aircraft, strikes, riots, intentional damage and earthquakes (hereinafter: "**Extended Fire Risks**") and for any other loss, at the discretion of the Management Company, from time to time.

15.1.2. **Insurance for loss of entire income from leasing fees and Management Fees from the Unit -** for an indemnification period of not less than 24 months, as a result of loss or damage to the structure as a result of Extended Fire Risks to a unit and/or to the Building.

The Holder shall be exempt from payment of leasing fees and Management Fees during the said events, for the same period and to the same extent that the Landlords and the Management Company shall actually receive compensation for loss of leasing fees and Management Fees, in accordance with the said policy.

The Management Company undertakes to ensure that the aforementioned insurances in Section 15.1 shall include an explicit clause, pursuant to which the insurer expressly waives its right of subrogation against the Holder, provided that each insurance policy taken out by the Holder contain a waiver of subrogation rights towards the Landlords. Said waiver shall not benefit a person who causes damage out of malicious intent.

15.1.3. **Third party liability insurance** – for the liability of the Landlords and/or the Management Company and/or the joint liability of all of the users in the Building (including the Holder), under law. This includes coverage for physical injury and/or damage to property in any of the areas of the Building, including in the Joint Areas, and excluding the area of the Unit and/or the area in the possession and/or under the supervision of the Holder. Said insurance relates to any matter pertaining to the Building and management thereof, in an amount that shall be determined by the Landlords from time to time, at their discretion, provided that said amount is not less than US$5,000,000 (Five Million U.S. Dollars) per event and in total for the insurance period.

The policy shall include a **cross liability** clause, pursuant to which the insurance shall be considered as if separate policies had been issued for each insured party.

Notwithstanding the foregoing, the parties hereby explicitly agree that the policy shall not insure the Holder's liability for physical injury and/or for damage to property, including with respect to any third party whatsoever within the Unit and/or whose business is connected to the Unit and/or for the additions and improvements made in the Unit.

15.1.4. **Employers' liability insurance** - for coverage of the liability of the Landlords and the Management Company towards their workers and any parties employed thereby and/or on their behalf, in connection with the management and maintenance of the Building, up to the maximum level of liability common in Israel at the time of issuance of the policies and/or on the date of renewal thereof.

15.2. Notwithstanding the foregoing in Section 15.1 above, the Management Company shall be entitled, at its sole discretion, to insure the Building

and/or the Project and/or the Joint Areas and/or the Facilities against additional risks, as it deems fit.

15.3. In any case in which the Management Company insures itself against the risks detailed in Section 15.1 and 15.2 above, all of the premium payments and expenses connected with the said insurance shall be considered to be Expenses, as defined in Section 7 hereto.

15.4. At the Holder's request, the Management Company shall present the insurance policy that it took out (hereinafter: the "**Insurance Policy**") for the Holder's examination, at the office of the Management Company.

15.5. Should the Unit and/or the Building and/or the Project suffer damage that requires rehabilitation, and which is covered by the Insurance Policy, the Management Company shall have the exclusive right to conduct negotiations with the insurers, to file suit against them, to settle with them and to receive the insurance payments, only after receiving the Landlords' advance written consent thereto.

15.6. The Management Company shall hold the insurance payments it receives, as stated above, and shall use them for the immediate rehabilitation of the Project, including the Unit, as the proportionate part of the Holder in the rehabilitated areas.

15.7. The Holder hereby agrees and confirms that any insurance that is taken out in accordance with this Agreement does not impose, nor shall it impose in the future, any liability on the Management Company with respect to the quality of the Insurance Policy that is issued and/or with respect to the credibility of the insurance company and/or any other liability relating to the implementation of the insurance.

15.8. The parties agree that the Landlords and the Management Company shall not be liable towards the Holder for any damage caused to the Holder's property and/or to its business for any reason whatsoever. In addition, the Holder shall ensure that the insurance policy that it takes out pursuant to the agreement with the Landlords, contains an explicit clause, pursuant to which the insurer expressly waives its right of subrogation or its right to claim any subrogation and/or reimbursement and/or indemnification from the Landlords and/or the Management Company for direct and/or indirect damage caused because of the Management Company and/or by anyone on its behalf.

16. TRANSFER OF HOLDER'S RIGHTS

16.1. The Holder hereby undertakes that should it sell and/or lease and/or sublease and/or grant by any other means whatsoever rights of possession and/or use of the Unit to any other party whatsoever (hereinafter: the "**Receiver of the Rights**") for any period of time (whether limited or unlimited), prior to signing an agreement with the Receiver of the Rights and in any case prior to transferring or granting said rights, and on the date

determined by the Management Company, the Holder shall be required to ensure that the Receiver of the Rights signs a management agreement with the Management Company and/or with anyone so instructed by the Landlords. Said agreement shall be in the form identical to this Agreement, *mutatis mutandis*.

16.2. The signing of the said management agreement by the Receiver of the Rights and the furnishing of said agreement to the Management Company, shall release the Holder from its obligations hereunder. The Receiver of the Rights shall be responsible for fulfilling the obligations hereunder, up to the end of the management period (as defined in Section 18.1 below), as provided in the Holder's Management Agreement.

17. TRANSFER OF RIGHTS OF MANAGEMENT COMPANY

The Management Company shall be entitled to transfer and/or to endorse and/or to assign to another management company or to any party so approved by the Owners Representation in writing and in advance (hereinafter: the "**Transferee Management Company**"), all of its rights and obligations hereunder or any part thereof, with respect to the original period or the extended period, or any part thereof. Should the Management Company transfer its rights and obligations, as stated, the Management Company shall receive from the Transferee Management Company prior written confirmation that it undertakes to fulfill all of the obligations of the Management Company hereunder. A copy of said confirmation shall be furnished to the Holder and to the other holders in the Building. Should the rights and obligations hereunder, including any addition or amendment thereto and anything deriving therefrom, be transferred and/or assigned and/or endorsed to the Transferee Management Company, the Management Company shall then be released from any obligation towards the Holder.

18. MANAGEMENT PERIOD

This Management Agreement is executed for the period of time paralleling the lease period, as defined in the Lease Agreement, or until the Leased Premises are actually vacated by the Holder – the later of the two (hereinafter: the "**Management Period**"). Notwithstanding the foregoing, the parties explicitly agree as follows:

18.1. The Owners Representation shall be entitled to terminate this Agreement immediately, upon material breach by the Management Company of its obligations hereunder.

18.2. The Owners Representation shall be entitled to request that the Management Period be shortened and/or that the Management Company be replaced, at its sole discretion, and provided that the Management Company provides the Holder written notice 90 days in advance, and provided that a replacement management company is appointed in lieu of the present Management Company.

19. BREACH AND REMEDIES

19.1. Should the Holder materially breach any of its obligations hereunder and fails to remedy said violation within seven (7) days of receiving the Management Company's written demand to do so, or should the Holder repeat the same violation within a time period of two months, the Management Company shall be entitled, *inter alia*, to cease providing Services to the Holder, at its sole discretion.

19.2. Nothing in the provisions of Section 19.1 above derogates from any right granted to the Management Company and/or to the Landlords to any relief and/or remedy available to either of them under the Lease Agreement and/or under the Management Agreement and/or under any law.

20. MISCELLANEOUS

20.1. The signature of each party comprising the Holder on any document, letter or approval of any kind whatsoever, in any matter connected to this Agreement and/or to the performance thereof and/or resulting therefrom, shall be binding upon the remaining parties comprising the Holder, and shall be considered, for all intents and purposes, as the Holder's authorization of the signatory to obligate all parties comprising the Holder in respect of any matter relating to this Agreement. For the avoidance of doubt, each holder in the Building shall sign this Management Agreement with the Management Company, and said signature shall not obligate holders of another unit in the Building.

20.2. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof, and any previous representation, promise, negotiation, memorandum of understanding and agreement shall have no force or effect.

20.3 Any modification to this Agreement shall only be valid if it has been made in writing and signed by the parties hereto.

20.4 No agreement of any of the parties to deviate from any of the provisions of this Agreement on one occasion or on several occasions shall constitute a precedent, nor may conclusions be drawn in respect of any other occurrence or event. No waiver of any party shall be valid unless it is signed and in writing.

20.5 No delay and/or failure of any of the parties to exercise any of their rights hereunder on one occasion or on several occasions, shall be deemed a waiver.

20.6 The rights of each of the parties hereunder, particularly the right of the Management Company to maintenance fees and/or Management Fees and/or a deposit from the Holder, may not be offset, notwithstanding the provisions of any law.

20.7 The Tel Aviv court shall have jurisdiction over this Agreement and shall adjudicate any matter arising therefrom.

20.8 The parties' addresses for the purpose of this Agreement are as designated in the preamble hereto. Notices sent in connection with this Agreement to the above-designated addresses shall be deemed to have arrived at the address within 72 hours from the time they were posted for delivery by registered

mail at an Israeli post office. Should the notice be delivered in person, said notice shall be deemed to have arrived at its destination upon delivery.

IN WITNESS WHEREOF, the parties hereto affix their signature:

/s/ [Illegible]	/s/ Adi Sapir
The Management Company	**The Holder**
N.T.M. Property Management Ltd.	**Allot Communications Ltd.**

Exhibit 10.10

ALLOT COMMUNICATIONS LTD.
KEY EMPLOYEES OF SUBSIDIARIES AND CONSULTANTS
SHARE INCENTIVE PLAN

I. NAME AND PURPOSE

1. **Name:**

This plan, as amended from time to time, shall be known as the "Allot Communications Ltd. Key Employees of subsidiaries and consultants Share Incentive Plan "(the "Plan").

2. **Purpose:**

The purpose and intent of the Plan is to provide incentives to employees of Allot Communications Ltd. Subsidiaries and consultants, by providing them with opportunities to purchase shares in the Allot Communications LTD (the "Company").

II. GENERAL TERMS AND CONDITIONS OF THE PLAN

3. **Administration:**

3.1 The Plan will be administered by an Incentive Committee (the "Committee"), which will consist of such number of Directors of the Company, as may be fixed from time to time by the Board of Directors of the Company. The Board of Directors shall appoint the members of the Committee, may from time to time remove members from, or add members to, the Committee and shall fill vacancies in the Committee however caused.

3.2 The Committee shall select one of its members as its Chairman and shall hold its meetings at such times and places as it shall determine. Actions at a meeting of the Committee at which a majority of its members are present, or acts reduced to or approved in writing by all members of the Committee, shall be the valid acts of the Committee. The Committee may appoint a Secretary, who shall keep records of its meetings and shall make such rules and regulations for the conduct of its business, as it shall deem advisable.

3.3 Subject to the general terms and conditions of this Plan, the Committee shall have full authority in its discretion, from time to time and at any time, to determine (i) the persons ("Grantees") to whom "Option Awards" (as hereinafter defined) shall be granted, (ii) the number of shares to be covered by each Option Award, (iii) the time or times at which the same shall be granted, (iv) the price, schedule and conditions on which such Option Awards may be exercised and on which such shares shall be paid for, and/or (v) any other matter which is necessary of desirable for, or incidental to, the administration of the Plan.

3.4 The Company may from time to time adopt such rules and regulations for carrying out the Plan, as it may deem best. No member of the Board of Directors or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option Award granted thereunder.

3.5 The interpretation and construction by the Committee of any provision of the Plan or of any Option Award thereunder shall be final and conclusive unless otherwise determined by the Board of Directors.

4. **Eligible Grantees:**

Option Awards may be granted to any director, officer, key employee, other employee or consultant of the Company or a subsidiary. The grant of an Option Award to a Grantee hereunder, shall neither entitle such Grantee to participate, nor disqualify him from participating, in any other grant of options pursuant to this Plan or any other share incentive or stock option plan of the Company or any of its subsidiaries.

5. **Trustee:**

The Option Awards and/or shares in the Company, which will be issued upon the exercise of the Option Awards, will be held in trust, by a trustee (the " Trustee") who will hold the same pursuant to the Company's instructions from time to time. The Trustee shall not use the voting rights vested in any such shares and shall not exercise said rights in any way whatsoever, except in cases when, at his discretion and after consulting with the Committee, the Trustee believes that the said rights should be exercised for the protection of the Grantees as a minority among the Company shareholders.

6. **Reserved Shares:**

The Company has reserved 179,556 authorized but unissued Ordinary Shares (nominal value NIS 0.01 per share) for purposes of the Plan, subject to adjustment as provided in Section 11 hereof. All shares under the Plan, in respect of which the right hereunder of a Grantee to purchase the same shall, for any reason, terminate, expire or otherwise cease to exist, shall again be available for grant through Option Awards under the Plan.

7. **Option Awards:**

The instrument granting an Option Award shall state, inter alia, the number of shares covered thereby, the dates when it may be exercised, the options price, the schedule on which such shares may be paid for and such other terms and conditions as the Committee at its discretion may prescribe, provided that they are consistent with this Plan.

8. **Option Price:**

The price per share covered by each Option Award shall be as determined By the Committee, and shall in no event be less than the par value of the shares.

9. **Exercise of Option Award:**

9.1 Option Awards shall be exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of this Plan.

9.2 An Option Award, or any part thereof, shall be exercisable by the Grantee's signing and returning to the Company at its principal office (and to the Trustee where applicable), a "Notice of Exercise" which will also constitute a Share Incentive Agreement (the "Agreement") in such form and substance as may be prescribed by the Committee from time to time.

9.3 Anything herein to contrary notwithstanding, but without derogating from the provisions of Section 10 hereof, if any Option Award, or any part thereof, has not been exercised and the shares covered thereby not paid for before or on August 1. 2006, then the right to acquire such shares, shall terminate, all interests and rights of the Grantee in and to the same shall ipso facto expire, and, in the event that in connection therewith any shares are held in trust as aforesaid, such trust shall ipso facto expire and the Trustee shall thereafter hold such shares in an unallocated pool until instructed by the Company that some or all of such shares are again to be held in trust for one or more Grantee.

9.4 Each payment for shares under an Option Award shall be in respect of a whole number of shares, shall be effected in cash or by a cashier's or certified check payable to the order of Company, or such other method of payment acceptable to the Company, and shall be accompanied by a notice stating the number of shares being paid for thereby.

10. **Termination of Employment:**

10.1 In General: Subject to the provisions of Section 10.2 hereof, if a Grantee should for any reason, cease to be employed by the Company or its subsidiaries, all of his rights, if any, in respect of (a) all Option Awards theretofore granted to him under the Plan and not exercised (to the extent that they are exercisable) two (2) weeks after such cessation of employment, and (b) all shares which may be purchased by him under the Plan and which are not fully paid for within two (2) weeks after such cessation of employment shall ipso facto terminate (including all bonus shares (stock dividends) and other rights that are attached to the shares). In the event of resignation of discharge of a Grantee from the employ of the Company, or subsidiary thereof, his employment shall, for the purposes of this Section 10.1, be deemed to have ceased upon the delivery to the employer of notice of resignation, or upon the delivery to employee of notice of discharge, as the case may be, irrespective of the effective date of such resignation or discharge. In the event the employment of a Grantee is terminated for cause, said Grantee shall not be entitled to exercise the Option Awards subsequent to the time of delivery of the notice of discharge.

10.2 Death, Disability, Retirement: Anything herein to the contrary notwithstanding: (i) If a Grantee shall die while in the employment of the Company, his estate, to the extent that it has acquired by will or by operation of law the rights of the deceased

Grantee, shall be entitled for a period of three (3) months following the date of death of such Grantee, to exercise such rights of such Grantee not therefore exercised (but only to the extent), and on the same terms, as the deceased Grantee could have done during or at the end of such three months period had he survived and had he continued his employment with the Company.

(ii) If a Grantee is unable to continue to be employed by the Company by reason of his becoming incapacitated while in the employment of the Company as a result of an accident or illness or other cause which is approved by the Committee, such Grantee shall, continue to enjoy rights under the Plan on such terms and conditions as the Committee in its discretion may determine.

(iii) If a Grantee should retire, he shall, continue to enjoy such rights, if any, under the Plan and on such terms and conditions as the Committee in its discretion may determine.

11. **Adjustments:**

Upon the happening of any of the following described events, a Grantee's rights to purchase shares under the Plan shall be adjusted as hereinafter provided:

11.1 In the event the Ordinary Shares of the Company shall be subdivided or combined into a greater or smaller number of shares or if, upon a merger, consolidation, reorganization, recapitalization or the like, the Ordinary Shares of the Company shall be exchanged for other securities of the Company or of another corporation, then, upon the exercise of an Option Award, each Grantee shall be entitled, subject to the conditions herein stated, to purchase such number of Ordinary Shares or amount of other securities of the Company or such other corporation as were exchangeable for the number of Ordinary Shares of the Company which such Grantee would have been entitled to purchase except for such action, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or exchange.

11.2 In the event that the Company shall issue any of its Ordinary Shares or other securities as bonus shares (stock dividend) upon or with respect to any shares which shall at the time be subject to a right of purchase by a Grantee hereunder, each Grantee, upon exercising such right, shall be entitled to receive (for the purchase price payable upon such exercise), the shares as to which he is exercising his said right and, in addition thereto (at no additional cost), such number of shares of the class or classes in which such bonus shares (stock dividend) were declared, and such amount of cash in lieu of fractional shares, as is equal to the amount of shares and the amount of cash in lieu of fractional shares which he would have received had he been the holder of the shares as to which he is exercising his said right at all times between the date of the granting of such right and the date of its exercise.

11.3 Upon the happening of any of the foregoing events, the class and aggregate number of Ordinary Shares issuable pursuant to the Plan (as set forth in Section 6

hereof), in respect of which Option Awards have not yet been granted, shall also be appropriately adjusted to reflect the events specified is Sections 11.1 and 11.2 above.

11.4 The Committee shall determine the specific adjustments to be made under this Section 11, and its determination shall be conclusive.

12. **Assignability and Sale of Shares:**

12.1 No option Award and no shares purchasable hereunder which were not fully paid for shall be assignable or transferable by the Grantee; and during the lifetime of the Grantee each and all his rights to purchase shares hereunder shall be exercisable only by him. For avoidance of doubt, the foregoing shall not be deemed to restrict the transfer of a Grantee's rights in respect of Option Award of shares purchasable pursuant to the exercise thereof upon the death of such Grantee to his estate or other successors by operation of law or will, whose rights therein shall be governed by section 10.2 hereof.

12.2 The Grantee will not be allowed to sell any shares purchased pursuant to the exercise of Option Awards granted hereunder before the second anniversary of the date of Grant of the Option Awards.

13. **Terms and Amendment of the Plan:**

13.1 The Plan shall expire on August 1, 2006.

13.2 Subject to applicable laws, the Board of Directors of the Company may, at any time and from time to time, terminate or amend the Plan in any respect. In no event may any action of the Company alter or impair the rights of a Grantee, without his consent, under any Option Award previously granted to him.

14. **Continue of Employment:**

Neither the Plan nor the Agreement shall impose any obligation on the Company or a subsidiary thereof, to continue any Grantee in its employ, and nothing in the Plan or in any Option Award granted pursuant thereto shall confer upon any Grantee any right to continue his employ of the Company or a subsidiary thereof, or restrict the right of the Company or a subsidiary thereof to terminate such employment at any time.

15. **Governing Law:**

The Plan and all instruments issued thereunder or in connection therewith shall be governed by, and interpreted in accordance with, the laws of the State of Israel.

16. **Application of Funds:**

The proceeds received by the Company from the sale of shares pursuant to Option Awards granted under the Plan will be used for general corporate purposes of the Company or any subsidiary thereof.

17. **Tax Consequences:**

Any tax consequences arising from the grant of exercise of any Option Award, from the payment for shares covered thereby of from any other event of act (of the Company or the Grantee) hereunder, shall be borne solely by the Grantee. Furthermore, the Grantee shall agree to indemnify the Company and the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from and payment made to the Grantee.

Exhibit 10.11

ALLOT COMMUNICATIONS LTD.
KEY EMPLOYEES SHARE INCENTIVE PLAN

I. NAME AND PURPOSE

1. **Name:**

This plan, as amended from time to time, shall be known as the "Allot Communications Ltd. Key Employees Share Incentive Plan (the "Plan").

2. **Purpose:**

The purpose and intent of the Plan is to provide incentives to employees of Allot Communications Ltd., by providing them with opportunities to purchase shares in the Allot Communications LTD (the "Company").

II. GENERAL TERMS AND CONDITIONS OF THE PLAN

3. **Administration:**

3.1 The Plan will be administered by an Incentive Committee (the "Committee"), which will consist of such number of Directors of the Company, as may be fixed from time to time by the Board of Directors of the Company. The Board of Directors shall appoint the members of the Committee, may from time to time remove members from, or add members to, the Committee and shall fill vacancies in the Committee however caused.

3.2 The Committee shall select one of its members as its Chairman and shall hold its meetings at such times and places as it shall determine. Actions at a meeting of the Committee at which a majority of its members are present, or acts reduced to or approved in writing by all members of the Committee, shall be the valid acts of the Committee. The Committee may appoint a Secretary, who shall keep records of its meetings and shall make such rules and regulations for the conduct of its business, as it shall deem advisable.

3.3 Subject to the general terms and conditions of this Plan, the Committee shall have full authority in its discretion, from time to time and at any time, to determine (i) the persons ("Grantees") to whom "Option Awards" (as hereinafter defined) shall be granted, (ii) the number of shares to be covered by each Option Award, (iii) the time or times at which the same shall be granted, (iv) the price, schedule and conditions on which such Option Awards may be exercised and on which such shares shall be paid for, and/or (v) any other matter which is necessary of desirable for, or incidental to, the administration of the Plan.

3.4 The Company may from time to time adopt such rules and regulations for carrying out the Plan, as it may deem best. No member of the Board of Directors or

of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option Award granted thereunder.

3.5 The interpretation and construction by the Committee of any provision of the Plan or of any Option Award thereunder shall be final and conclusive unless otherwise determined by the Board of Directors.

4. **Eligible Grantees:**

Option Awards may be granted to any director, officer, key employee, other employee of the Company. The grant of an Option Award to a Grantee hereunder, shall neither entitle such Grantee to participate, nor disqualify him from participating, in any other grant of options pursuant to this Plan or any other share incentive or stock option plan of the Company or any of its subsidiaries.

5. **Trustee:**

The Option Awards and/or shares in the Company, which will be issued upon the exercise of the Option Awards, will be held in trust, by a trustee (the " Trustee") who will hold the same pursuant to the Company's instructions from time to time. The Trustee shall not use the voting rights vested in any such shares and shall not exercise said rights in any way whatsoever, except in cases when, at his discretion and after consulting with the Committee, the Trustee believes that the said rights should be exercised for the protection of the Grantees as a minority among the Company shareholders.

6. **Reserved Shares:**

The Company has reserved 8,820 authorized but unissued Ordinary Shares (nominal value NIS 1.00 per share) for purposes of the Plan, subject to adjustment as provided in Section 11 hereof. All shares under the Plan, in respect of which the right hereunder of a Grantee to purchase the same shall, for any reason, terminate, expire or otherwise cease to exist, shall again be available for grant through Option Awards under the Plan.

7. **Option Awards:**

The instrument granting an Option Award shall state, inter alia, the number of shares covered thereby, the dates when it may be exercised, the options price, the schedule on which such shares may be paid for and such other terms and conditions as the Committee at its discretion may prescribe, provided that they are consistent with this Plan.

8. **Option Price:**

The price per share covered by each Option Award shall be as determined By the Committee, and shall in no event be less than the par value of the shares.

9. **Exercise of Option Award:**

9.1 Option Awards shall be exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of this Plan.

9.2 An Option Award, or any part thereof, shall be exercisable by the Grantee's signing and returning to the Company at its principal office (and to the Trustee where applicable), a "Notice of Exercise" which will also constitute a Share Incentive Agreement (the "Agreement") in such form and substance as may be prescribed by the Committee from time to time.

9.3 Anything herein to contrary notwithstanding, but without derogating from the provisions of Section 10 hereof, if any Option Award, or any part thereof, has not been exercised and the shares covered thereby not paid for before or on August 1. 2006, then the right to acquire such shares, shall terminate, all interests and rights of the Grantee in and to the same shall ipso facto expire, and, in the event that in connection therewith any shares are held in trust as aforesaid, such trust shall ipso facto expire and the Trustee shall thereafter hold such shares in an unallocated pool until instructed by the Company that some or all of such shares are again to be held in trust for one or more Grantee.

9.4 Each payment for shares under an Option Award shall be in respect of a whole number of shares, shall be effected in cash or by a cashier's or certified check payable to the order of Company, or such other method of payment acceptable to the Company, and shall be accompanied by a notice stating the number of shares being paid for thereby.

10. **Termination of Employment:**

10.1 In General: Subject to the provisions of Section 10.2 hereof, if a Grantee should for any reason, cease to be employed by the Company, all of his rights, if any, in respect of (a) all Option Awards theretofore granted to him under the Plan and not exercised (to the extent that they are exercisable) two (2) weeks after such cessation of employment, and (b) all shares which may be purchased by him under the Plan and which are not fully paid for within two (2) weeks after such cessation of employment shall ipso facto terminate (including all bonus shares (stock dividends) and other rights that are attached to the shares). In the event of resignation of discharge of a Grantee from the employ of the Company, his employment shall, for the purposes of this Section 10.1, be deemed to have ceased upon the delivery to the employer of notice of resignation, or upon the delivery to employee of notice of discharge, as the case may be, irrespective of the effective date of such resignation or discharge. In the event the employment of a Grantee is terminated for cause, said Grantee shall not be entitled to exercise the Option Awards subsequent to the time of delivery of the notice of discharge.

10.2 Death, Disability, Retirement: Anything herein to the contrary notwithstanding: (i) If a Grantee shall die while in the employment of the Company, his estate, to the extent that it has acquired by will or by operation of law the rights of the deceased Grantee, shall be entitled for a period of three (3) months following the date of death

of such Grantee, to exercise such rights of such Grantee not therefore exercised (but only to the extent), and on the same terms, as the deceased Grantee could have done during or at the end of such three months period had he survived and had he continued his employment with the Company.

(ii) If a Grantee is unable to continue to be employed by the Company by reason of his becoming incapacitated while in the employment of the Company as a result of an accident or illness or other cause which is approved by the Committee, such Grantee shall, continue to enjoy rights under the Plan on such terms and conditions as the Committee in its discretion may determine.

(iii) If a Grantee should retire, he shall, continue to enjoy such rights, if any, under the Plan and on such terms and conditions as the Committee in its discretion may determine.

11. **Adjustments:**

Upon the happening of any of the following described events, a Grantee's rights to purchase shares under the Plan shall be adjusted as hereinafter provided:

11.1 In the event the Ordinary Shares of the Company shall be subdivided or combined into a greater or smaller number of shares or if, upon a merger, consolidation, reorganization, recapitalization or the like, the Ordinary Shares of the Company shall be exchanged for other securities of the Company or of another corporation, then, upon the exercise of an Option Award, each Grantee shall be entitled, subject to the conditions herein stated, to purchase such number of Ordinary Shares or amount of other securities of the Company or such other corporation as were exchangeable for the number of Ordinary Shares of the Company which such Grantee would have been entitled to purchase except for such action, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or exchange.

11.2 In the event that the Company shall issue any of its Ordinary Shares or other securities as bonus shares (stock dividend) upon or with respect to any shares which shall at the time be subject to a right of purchase by a Grantee hereunder, each Grantee, upon exercising such right, shall be entitled to receive (for the purchase price payable upon such exercise), the shares as to which he is exercising his said right and, in addition thereto (at no additional cost), such number of shares of the class or classes in which such bonus shares (stock dividend) were declared, and such amount of cash in lieu of fractional shares, as is equal to the amount of shares and the amount of cash in lieu of fractional shares which he would have received had he been the holder of the shares as to which he is exercising his said right at all times between the date of the granting of such right and the date of its exercise.

11.3 Upon the happening of any of the foregoing events, the class and aggregate number of Ordinary Shares issuable pursuant to the Plan (as set forth in Section 6

hereof), in respect of which Option Awards have not yet been granted, shall also be appropriately adjusted to reflect the events specified is Sections 11.1 and 11.2 above.

11.4 The Committee shall determine the specific adjustments to be made under this Section 11, and its determination shall be conclusive.

12. **Assignability and Sale of Shares:**

12.1 No option Award and no shares purchasable hereunder which were not fully paid for shall be assignable or transferable by the Grantee; and during the lifetime of the Grantee each and all his rights to purchase shares hereunder shall be exercisable only by him. For avoidance of doubt, the foregoing shall not be deemed to restrict the transfer of a Grantee's rights in respect of Option Award of shares purchasable pursuant to the exercise thereof upon the death of such Grantee to his estate or other successors by operation of law or will, whose rights therein shall be governed by section 10.2 hereof.

12.2 The Grantee will not be allowed to sell any shares purchased pursuant to the exercise of Option Awards granted hereunder before the second anniversary of the date of Grant of the Option Awards.

13. **Terms and Amendment of the Plan:**

13.1 The Plan shall expire on August 1, 2006.

13.2 Subject to applicable laws, the Board of Directors of the Company may, at any time and from time to time, terminate or amend the Plan in any respect. In no event may any action of the Company alter or impair the rights of a Grantee, without his consent, under any Option Award previously granted to him.

14. **Continue of Employment:**

Neither the Plan nor the Agreement shall impose any obligation on the Company, to continue any Grantee in its employ, and nothing in the Plan or in any Option Award granted pursuant thereto shall confer upon any Grantee any right to continue his employ of the Company, or restrict the right of the Company to terminate such employment at any time.

15. **Governing Law:**

The Plan and all instruments issued thereunder or in connection therewith shall be governed by, and interpreted in accordance with, the laws of the State of Israel.

16. **Application of Funds:**

The proceeds received by the Company from the sale of shares pursuant to Option Awards granted under the Plan will be used for general corporate purposes of the Company or any subsidiary thereof.

17. **Tax Consequences:**

Any tax consequences arising from the grant of exercise of any Option Award, from the payment for shares covered thereby of from any other event of act (of the Company or the Grantee) hereunder, shall be borne solely by the Grantee. Furthermore, the Grantee shall agree to indemnify the Company and the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from and payment made to the Grantee.

Exhibit 10.12

ALLOT COMMUNICATIONS LTD KEY EMPLOYEE SHARE INCENTIVE PLAN (2003)

1. **Name:**

This plan, as amended from time to time, shall be known as the "Allot Communication Ltd. Stock Option Plan (2003)" (the "Plan").

2. **Purpose:**

The purpose and intent of the Plan is to provide incentives to employees, directors, consultants and service providers of Allot Communications Ltd. (the "Company") and its Affiliates by providing them with opportunities to purchase shares in the Company, pursuant to a plan approved by the Board of Directors of the Company which is designed to benefit from, and is made pursuant to, the provisions of Section 102 and/or 3(i) of the Israeli Income Tax Ordinance [New Version], 1961 (hereinafter — the "Ordinance") and shall comply with Amendment no. 132 of the Ordinance and the rules, promulgated thereunder, as may be amended or replaced from time to time. Options to purchase the Company's Ordinary Shares may be issued to employees, directors, consultants and service providers of the Company and its Affiliates.

3. Definitions.

3.1 "**Affiliate**" means an affiliate of the Company which is an "employing company" within the meaning of Section 102(a) of the Ordinance.

3.2 "**Approved 102 Option**" means an Option granted pursuant to Section 102(b) of the Ordinance and held in trust by a Trustee for the benefit of the Grantee.

3.3 "**Capital Gain Option (CGO)**" means an Approved 102 Option elected and designated by the Company to qualify under the capital gain tax treatment in accordance with the provisions of Section 102(b)(2) of the Ordinance.

3.4 "**Cause**" means, henceforth and hereinafter, with respect to both Employees and Non Employees (i) conviction of any felony involving moral turpitude or affecting the Company; (ii) any refusal to carry out a reasonable directive of the CEO, Board or the Grantee's direct supervisor which involves the business of the Company or its Affiliates and was capable of being lawfully performed; (iii) theft or embezzlement of funds or assets of the Company or its Affiliates and/or commission of an act of fraud against the Company; (iv) any breach of the Grantee's fiduciary duties or duties of care of the Company, including without limitation disclosure of confidential information of the Company; and (v) any conduct (other than conduct in good faith) reasonably determined by the Board to be materially detrimental to the Company.

3.5 "**Controlling Shareholder**" shall have the meaning ascribed to it in Section 32(9) of the Ordinance.

3.6 "**Eligible Grantee**" means the person to whom options shall be granted.

3.7 "**Employee**" means a person who is employed by the Company or its Affiliates, including an individual who is serving as a director or an office holder, but excluding any Controlling Shareholder.

3.8 **"Non-Employee"** means a consultant, adviser, service provider, Controlling Shareholder or any other person providing services to the Company or an Affiliate who is not an Employee.

3.9 "**Ordinary Income Option (OIO)**" means an Approved 102 Option elected and designated by the Company to qualify under the ordinary income tax treatment in accordance with the provisions of Section 102(b)(1)of the Ordinance.

3.10 **"102 Option"** means any Option Awards granted to Employees pursuant to Section 102 of the Ordinance.

3.11 **"3(i) Option"** means an Option granted pursuant to Section 3(i) of the Ordinance to any person who is a Non- Employee.

3.12 **"Section 102"** means section 102 of the Ordinance and any regulations, rules, orders or procedures promulgated thereunder as now in effect or as hereafter amended.

3.13 **"Trustee"** means any individual appointed by the Company to serve as a trustee and approved by the Israeli Tax Authorities, all in accordance with the provisions of Section 102(a) of the Ordinance.

3.14 "**Unapproved 102 Option**" means an Option granted pursuant to Section 102(c) of the Ordinance and not held in trust by a Trustee.

4. **Administration:**

4.1. The Plan will be administered by the Board, according to the recommendations of the Share Incentive Committee (the "Committee"), which will consist of such number of Directors of the Company (not less than two (2) in number), as may be fixed from time to time by the Board of Directors of the Company. The Board of Directors shall appoint the members of the Committee and may from time to time remove members from, or add members to, the Committee and shall fill vacancies in the Committee however caused. If a Committee is not appointed, the term Committee, whenever used herein, shall mean the Board.

4.2. The Committee shall select one of its members as its Chairman and shall hold its meetings at such times and places as it shall determine. Actions at a meeting of the Committee at which all its members are present, or acts reduced to or approved in writing by all members of the Committee, shall be the valid acts of the Committee. The Committee may appoint a Secretary, who shall keep records of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

4.3. Subject to the general terms and conditions of this Plan, the Board of Directors shall have full authority to determine, and the Committee shall have full authority to recommend to the Board, in its discretion, from time to time and at any time (i) the persons ("Grantees") to whom "Option Awards" (as hereinafter defined) shall be granted, (ii) the number of shares to be covered by each Option Award, (iii) the time or times at which the same shall be granted, (iv) the price, schedule and conditions on which such Option Awards may be exercised and the underlying shares paid for, (v) whether the Option Awards are CGI, OIO, Unapproved 102 Options or 3(i) Options, and/or (vi) any other matter which is necessary or desirable for, or incidental to, the administration of the Plan.

4.4. The Committee may from time to time adopt such rules and regulations for carrying out the Plan as it may deem best. No member of the Board of Directors or of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option Award granted thereunder.

4.5. The interpretation and construction by either of the Board of Directors or the Committee of any provision of the Plan or of any Option Award thereunder shall be final and conclusive unless otherwise determined by the Board of Directors.

4.6. The Board of Directors of the Company is empowered to act in place of the Committee if it deems fit, and in any event, it will have the final authority and powers in any matter relating to the Plan.

5. **Issuance of Options**

5.1 The Committee (or the Board, if the law so requires) in its discretion may award to Grantees options to purchase shares in the Company available under the Plan ("Option Awards"). The date of grant of each Option Award shall be the date specified by the Committee at the time such award is made.

5.2 The persons eligible for participation in the Plan as Grantees shall include any Employees and/or Non-Employees of the Company or of any Affiliate; provided, however, that (i) Employees may only be granted 102 Options; and (ii) Non-Employees and/or Controlling Shareholders may only be granted 3(i) Options

5.3 The Company may designate Options granted to Employees pursuant to Section 102 as Unapproved 102 Options or Approved 102 Options.

5.4 The grant of Approved 102 Options shall be made under this Plan adopted by the Board , and shall be conditioned upon the approval of this Plan by the Israeli Tax Authorities.

5.5 Approved 102 Options may either be classified as Capital Gain Options ("**CGOs**") or Ordinary Income Options ("**OIOs**"), as per the Board's decision.

5.6 No Approved 102 Options may be granted under this Plan to any Eligible Grantee, unless and until, the Company's election of the type of Approved 102 Options as CGI or OIO granted to Employees (the "**Election**"), is appropriately filed with the Israeli Tax Authorities. Such Election shall become effective beginning the first date of grant of an Approved 102 Option under this Plan and shall remain in effect until the end of the year following the year during which the Company first granted Approved 102 Options. The Election shall obligate the Company to grant only the type of Approved 102 Option it has elected, and shall apply to all Eligible Grantees who were granted Approved 102 Options during the period indicated herein, all in accordance with the provisions of Section 102(g) of the Ordinance. For the avoidance of doubt, such Election shall not prevent the Company from granting Unapproved 102 Options simultaneously.

5.7 All Approved 102 Options must be held in trust by a Trustee, as described in Section 7 below**.**

5.8 For the avoidance of doubt, the designation of Unapproved 102 Options and Approved 102 Options shall be subject to the terms and conditions set forth in Section 102.

5.9 The instrument granting an Option Award shall state, inter alia, the number of shares covered thereby, the dates when it may be exercised, the option price, the schedule on which such shares may be paid for, the type of Options granted (whether CGI, OIO, Unapproved 102 Options or 3(i) Options), the vesting provisions, exercise price and such other terms and conditions as the Committee at its discretion may prescribe, provided that they are consistent with this Plan.

6. **Eligible Grantees:**

6.1. No Option Award may be granted by the Option Committee to any person serving as a member of the Committee at the time of the grant (but such Options Awards may be granted by the resolution of the Board of Directors).

6.2. No 102 Option may be granted to a Controlling Shareholder, or any person

who will become a Controlling Shareholder, as a result of the Option Award.

6.3. Subject to the limitation set forth in this Plan, Option Awards may be granted to any officer, key employee or other employee of the Company, its subsidiaries and Affiliates, as well as to Non-Employees of the Company.

7. **Trustee:**

7.1 The Option Awards, including the Approved 102 Options and/or shares in the Company which will be issued upon the exercise of the Option Awards and/or any other shares received subsequently following any realization of rights, will be held in trust and registered under the name of a trustee (the "Trustee") who will hold the same pursuant to the Company's instructions from time to time. In no event will the Trustee release the shares before the later of (i) the initial public offering ("IPO") of the shares of the Company or an M&A transaction where all or a substantial part of the securities of the Company are sold (the earlier of the two) or (ii) the lapse of the period of time as required by Section 102 or any regulation, rule, order or procedure promulgated thereunder. In the event the requirements for Approved 102 Options are not met, then the Approved 102 Options shall be regarded as Unapproved 102 Options, all in accordance with the provisions of Section 102. The Trustee shall empower the Board of Directors (as a group by a decision of the majority thereof) with all the voting rights of the shares and shall not exercise the voting rights in any other way whatsoever. So long as the Company's shares are not registered for trading on a recognized stock exchange the Grantees (and the Trustee on their behalf) shall have no voting rights by virtue of the shares purchased under this plan resulting from the exercise of any Option Awards held and/or any right to receive reports or notices and/or to participate in the General Meeting of the Shareholders of the Company, which rights shall be granted to the Board of Directors as aforesaid.

7.2 Notwithstanding anything to the contrary, the Trustee shall not release any Ordinary Shares allocated or issued upon exercise of Approved 102 Options prior to the full payment of the Grantee's tax liabilities arising from Approved 102 Options which were granted to him and/or any Ordinary Shares allocated or issued upon exercise of such Options.

7.3 The Grantee hereby undertakes to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation with this Plan, or any Option Aware and/or Approved 102 Option or Ordinary Share granted to him thereunder.

8. **Reserved Shares:**

The Company has reserved 3,200,000 authorized but unissued Ordinary Shares (nominal value NIS 0.01 per share) for purposes of the Plan, subject to adjustment as provided in Section 12 hereof. The Company may use any reserved but not granted options of previous plans, or unused options returned from previous plans for this Plan. All shares under the Plan, in respect of which the right hereunder of a Grantee to purchase the same shall, for any reason, terminate, expire or otherwise cease to exist, shall again be available for grant through the Option Awards under the Plan.

9. **Option Price:**

The price per share covered by each Option Award shall be as determined by the Committee (or the Board, if the law so requires) on the date of grant, provided that such price per share for any Option Award shall not be less than the par value of the share.

10. **Exercise of Option Award:**

10.1. Option Awards shall be exercisable pursuant to the terms under which they were awarded and subject to the terms and conditions of this Plan.

10.2. An Option Award, or any part thereof, shall be exercisable by the Grantee's signing and returning to the Company at its principal office, with a copy to the Trustee, a "Notice of Exercise" which will also constitute a Share Incentive Agreement (the "Agreement") in such form and substance as may be prescribed by the Committee from time to time, under its sole discretion. Subject to all other sections in this plan, a Grantee may exercise Option Award granted to him according to his vesting period. The Vesting Schedule will continue to run as long as the Employee or Non-Employee is still employed by or providing services to the Company or an Affiliate as the case may be.

10.3. Anything herein to the contrary notwithstanding, but without derogating from the provisions of Sections 7 and 11 hereof, if any Option Award or any part thereof, has not been exercised and the shares covered thereby not paid for within ten years after the date of grant (or any other period set forth in the instrument granting such Option Award pursuant to Section 10), such Option Award, or such part thereof, and the right to acquire such shares, shall terminate, all interests and rights of the Grantee in and to the same shall ipso facto expire, and, in the event that in connection with such unexercised options any shares are held in trust as aforesaid, such trust shall ipso facto expire and the Trustee shall thereafter hold such shares in an unallocated pool until instructed by the Company that some or all of such shares are again to be held in trust for one or more Grantees.

10.4. Each payment for shares under an Option Award shall be in respect of a

whole number of shares, shall be effected in cash or by a cashier's or certified check payable to the order of the Company, or such other method of payment acceptable to the Company, and shall be accompanied by a notice stating the number of shares being paid for thereby.

10.5. In the event that the Company will distribute cash dividends or any other cash payments to shareholders, then the dividends (or cash payments) relating to the shares already exercised will be transferred to the Trustee, who will transfer dividends (or cash payments) to Grantees who exercised the Option Awards to the extent exercised.

Each Grantee will be fully liable as a shareholder in the Company to the extent of the number and percentage of shares held on his behalf by the Trustee, as a result of the exercise of any Option Award, up to the nominal value of his shares.

11. **Termination of Employment/Provision of Services:**

11.1. Subject to the provisions of Section 11.3 hereof, if a Grantee should, for any reason, cease to be employed by the Company or an Affiliate, as the case may be, or cease providing services to the Company or an Affiliate thereof, as the case may be, then all of his rights, if any, in respect of (a) all Option Awards theretofore granted to him under the Plan and not exercised (to the extent that they are exercisable at the time of termination of employment or provision of services) within thirty (30) days after such cessation of employment/provision of services, and (b) all shares which may be purchased by him under the Plan and which are not fully paid for within thirty (30) days after such cessation of employment/provision of services, shall ipso facto terminate. Grantee will immediately pay any tax resulting from such an exercise.

11.2. In the event of such resignation or termination of employment or provision of services of a Grantee from the employ of the Company or an Affiliate, his employment or provision of services shall, for the purposes of this Section 13 be deemed to have ceased upon the delivery to the Company or an Affiliate of notice of resignation, or upon the delivery to the Employee/Non-Employee of notice of termination of employment/provision of services, as the case may be, irrespective of the effective date of such resignation or termination of employment/provision of services.

11.3. In the event of termination of employment or provision of services by the Company for Cause as defined in Section 3.4 above (hereinafter "Termination for Cause"), the Grantee's right to exercise vested Option Awards shall terminate immediately upon such termination, and all such Option Awards shall be forfeited without any payment being due. In addition the Company (if and as permitted by law) and/or any Affiliate

and/or any other person or entity designated for this purpose by the Company will be entitled to repurchase, with no time limit, any or all of the shares purchased under this plan resulting from the exercise of any Option Awards exercised prior to the date of the repurchase. The price paid for each share will be determined by the Committee, in its sole discretion, but shall not be less than the exercise price paid by the Employee/Non-Employee for the Shares. Any Shares back purchased under this subsection 11.3 will be released from the trust upon the back purchase, subject to Section 102 of the Ordinance.

11.4. Subject to Section 11.3 above, the shares exercised will continue to be held by the Trustee on behalf of the Grantee until the sale of such shares by the Grantee, which may not occur prior to the occurrence of the later of (i) the initial public offering ("IPO") of the shares of the Company or an M&A transaction where all or a substantial part of the securities of the Company are sold (the earlier of the two) or (ii) the lapse of the period of time as required by Section 102 or any regulation, rule, order or procedure promulgated thereunder.

11.5. Death, Disability, Retirement:

Anything herein to the contrary notwithstanding:

11.5.1 If a Grantee shall die while in the employ of, or providing services to, the Company or any Affiliate, his estate, to the extent that it has acquired by will or by operation of law the rights of the deceased Grantee under the Plan, shall be entitled for a period of four (4) months following the date of death of such Grantee, to exercise such rights of such Grantee not theretofore exercised, to the same extent (but only to the extent), and on the same terms, as the deceased Grantee could have done during or at the end of such four-month period had he survived and had he continued his employ with the Company.

11.5.2 If a Grantee is unable to continue to be employed by, or provide services to, the Company or any Affiliate by reason of his becoming incapacitated while in the employ of, providing services to, the Company or any Affiliate as a result of an accident or illness or other cause which is approved by the Committee, such Grantee shall continue to enjoy rights under the Plan on such terms and conditions as the Committee in its discretion may determine.

11.6. If a Grantee should retire, he shall continue to enjoy such rights, if any, under the Plan and on such terms and conditions as the Committee in its discretion may determine.

11.7. The Company and any Grantee acknowledge that, in case of cessation of

employment before the period of time as required by Section 102 or any regulation, rule, order, or procedure promulgated thereunder from the date of the grant of an Option Award was completed, the benefits provided in Section 102 of the Ordinance may not be available to the Grantee, and the Company may be required to withhold tax on the date of the issuing of shares according to the Option Awards, and be subject to any other obligations under law regarding the granting of such Option Awards. In the event that the requirements for Approved 102 are not met, then the Approved 102 Options shall be regarded as Unapproved 102 Options, all in accordance with the provisions of Section 102.

11.8. In any event, a period of time where an Employee is on leave without pay, whether according to a contract, law or otherwise, shall not be taken into account for purposes of this Plan, the vesting period and any other of such Employee's rights resulting from the Plan will cease as of the date such leave begins and will begin again if the Employee returns to work. Notwithstanding the foregoing, the date of cessation of employment for the purposes of Section 11.1 above shall be the date the Employee or the Company, as applicable, decides that the Employee will not return to work following the leave without pay.

12. **Adjustments:**

Upon the happening of any of the following described events, a Grantee's rights to purchase shares under the Plan shall be adjusted as hereinafter provided:

12.1. In the event the Ordinary Shares of the Company shall be subdivided or combined into a greater or smaller number of shares or if, upon a consolidation, reorganization, recapitalization or the like, the Ordinary Shares of the Company shall be exchanged for other securities of the Company, then, upon the exercise of an Option Award, each Grantee shall be entitled, subject to the conditions herein stated, to purchase such number of Ordinary Shares or amount of other securities of the Company as were exchangeable for the number of Ordinary Shares of the Company which such Grantee would have been entitled to purchase except for such action, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination, or exchange.

12.2. In the event that the Company shall issue any of its Ordinary Shares or other securities as bonus shares (stock dividend) upon or with respect to any shares which shall at the time be subject to a right of purchase by a Grantee hereunder, each Grantee, upon exercising such right, shall be entitled to receive (for the purchase price payable upon such exercise), the shares as to which he is exercising his said right and, in addition thereto (at no additional cost), such number of shares of the class or classes in which such bonus shares (stock dividend) were declared, and such amount of cash in lieu of fractional shares, as is equal to the amount of shares and the

amount of cash in lieu of fractional shares which he would have received had he been the holder of the shares as to which he is exercising his said right at all times between the date of the granting of such right and the date of its exercise.

12.3. Upon the happening of any of the foregoing events, the class and aggregate number of Ordinary Shares issuable pursuant to the Plan, in respect of which Option Awards have not yet been granted, shall also be appropriately adjusted to reflect the events specified in Sections 12.1 and 12.2 above.

12.4. The Committee shall determine the specific adjustments to be made under this Section 12, and its determination shall be conclusive.

12.5 In the event of the proposed acquisition of the Company by means of merger (with or into another entity), in which the outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring company or its subsidiary, or in the event of the sale of all or substantially all of the assets of the Company, the Committee shall notify each Grantee at least fifteen (15) days prior to such proposed action. To the extent it has not been previously exercised, each Option shall terminate immediately prior to the consummation of such proposed action (for avoidance of doubt, all options which have not yet been vested at that time shall also terminate at that time). However, in the event of the proposed consolidation or the merger of the Company with or into another corporation, the Committee may, at its absolute discretion and without obligation to, agree that instead of such termination: (i) each unexercised Option, if possible, shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation; or (ii) the Company shall pay to the Grantee such an amount equivalent to the valuation of such Grantee’s unexercised Options (on an as converted basis) at that time.

13. **Assignability and Sale of Shares:**

13.1. Except as provided for in Section 11.5 hereinabove, no Option Award and for as long as shares are held in trust by the Trustee, no shares purchasable hereunder, whether fully paid or not, shall be assignable, transferable or given as collateral or any right to them given to any third party whatsoever, and during the lifetime of the Grantee each and all of his rights to purchase shares hereunder shall be exercisable only by him.

13.2. The Grantee will not be allowed to sell any shares purchased pursuant to the exercise of Option Awards for as long as such shares are held in trust by the Trustee.

14. **Term and Amendment of the Plan**:

14.1. The Plan was adopted by the Board of Directors of the Company on March 12, 2003 and shall expire 10 years thereafter (except as to Option Awards outstanding on that date).

14.2. Subject to applicable laws, the Board of Directors may, at any time and from time to time, terminate or amend the Plan in any respect. In no event will any action of the Company alter or impair the rights of a Grantee, without his consent, under any Option Award previously granted to him.

15. **Continuance of Employment:**

Neither the Plan nor the Agreement shall impose any obligation on the Company or an Affiliate thereof to continue to keep any Grantee in its employ or service, and nothing in the Plan or in any Option Award granted pursuant thereto shall confer upon any Grantee any right to continue in the employ or service of the Company or an Affiliate thereof, or restrict the right of the Company or an Affiliate thereto to terminate such employment at any time.

16. **Governing Law:**

The Plan and all instruments issued thereunder or in connection therewith shall be governed by, and interpreted in accordance with, the laws of the State of Israel.

17. **Application of Funds:**

The proceeds received by the Company from the sale of shares pursuant to Option Awards granted under the Plan will be used for general corporate purposes of the Company or an Affiliate.

18. **Tax Consequences:**

Any tax consequences arising from the grant or exercise of any Option Award, from the payment for shares covered thereby or from any other event or act (of the Company or the Grantee) hereunder, shall be borne solely by the Grantee. Furthermore, the Grantee shall agree to indemnify the Company and the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Grantee.

19. **Fair Market Value For Tax Purposes**

Solely for the purpose of determining the tax liability pursuant to Section 102(b)(3) of the Ordinance, if at the date of grant the Company's shares are listed on any established stock exchange or a national market system, the fair market value of the Ordinary Shares at the date of grant shall be determined in accordance with the

average value of the Company's shares on the thirty (30) trading days preceding the date of grant.

20. **Integration Of Section 102 And Tax Assessing Officer 's Permit**

20.1. With regards to Approved 102 Options, the provisions of the Plan and/or the Appendix and/or the Option Agreement shall be subject to the provisions of Section 102 and the Tax Assessing Officer's permit, and the said provisions and permit shall be deemed an integral part of the Plan and of the Appendix and of the Option Agreement.

20.2. Any provision of Section 102 and/or the said permit which is necessary in order to receive and/or to keep any tax benefit pursuant to Section 102, which is not expressly specified in the Plan or the Appendix or the Option Agreement, shall be considered binding upon the Company and the Grantees.

21. **Restriction Period**

In the event of an IPO, the Grantee will agree to any conditions relating to lock up commitments as agreed between the managing underwriter and the Company, not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Ordinary Shares of the Company without the prior written consent of the Company or such underwriters, as the case may be, for such period of time from the effective date of such registration as may be requested by the underwriters.

Exhibit 10.13

Date:

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Mr. / Mrs.

<<Family_Name>><<First_Name>>

Re: Allot Communications Ltd. — Options Grant Letter ("Grant Letter")

It is with pleasure that I hereby notify you that the Board of Directors of Allot Communications Ltd. (the "**Company**") has decided to grant you options (the "**Options**"), which shall enable you to acquire <<_____>> Ordinary Shares of the Company NIS 0.01 par value (the "**Shares**"). The Options are granted as part of the "Allot Communication Ltd. Stock Option Plan (2003)" (the "**Plan**"), which was approved by the Board of Directors. The Options are granted to you under the capital gain tax route in accordance with the provisions of Section 102 of the Income Tax Ordinance [New Version], 1961 as now in effect or as hereafter amended ("**Section 102**").

Any capitalized terms not specifically defined in this letter shall be construed according to the interpretation given to them in the Plan.

You will be entitled to exercise the Options on the following vesting dates (the **"Vesting Dates"**):

As of <<_____>>, 25% of the Options (exercisable to <<_____>> Shares); and

As of <<_____>> and at the end of every subsequent 3 months – additional 6.25% (exercisable to <<_____>> Shares), up to 100% of the amount of the Options listed above.

In any event, no Option shall be exercised later than <<_____>> (the **"Expiration Date"**). Each Option shall be exercisable following the Vesting Dates and subject to the provisions of the Plan, however, no Option shall be exercisable after the Expiration Date.

The Options may be exercised by you in whole, at any time, or in part, from time to time, to the extent that the Options became vested and exercisable, prior to the Expiration Date.

When you decide to exercise your Options and acquire the Shares, kindly submit a notice of exercise (the "**Notice of Exercise**") to the Company's Secretary or any other person appointed by the Company to deal with this matter, who will have you sign all necessary documents. The Notice of Exercise shall specify the number of Shares with respect to which Options are being exercised. You will be requested to pay a sum, in NIS in accordance to the representative rate of exchange of the U.S. Dollar, published by the Bank of Israel and known on the date of the Notice of Exercise, equal to <<**Price Per Share**>> per each Option exercised.

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In the event that your employment terminates for any reason, except if the termination is for Cause (as defined in the Plan), you shall only be able to exercise Vested Options that are exercisable on the date of termination of employment, within thirty (30) days from the of termination of your employment. In the event that termination is the result of death or disability, any Vested Options still in force may be exercised for a period of four (4) months from the date of such termination. Options that are not exercised within this time period — shall expire, unless otherwise decided by the Company Board or Board's Compensation Committee (the "**Committee**"). Notwithstanding the above, in the event that the Company terminates your employment for Cause, you shall not be entitled to exercise any Options not yet exercised.

The Options, and/or the Shares acquired upon the exercise of Option and/or shares received subsequently following any realization of rights, including without limitation bonus shares, shall be held in trust by a trustee nominated by the Committee and approved in accordance with the provisions of section 102 (the "**Trustee**") and held by the Trustee for such period of time as required by Section 102 or any regulations, rules or orders or procedures promulgated thereunder (the "**Holding Period**").

You shall not have any voting rights as a shareholder of the Company (in any and all matters whatsoever) in respect of any Shares purchasable upon the exercise of any Options, until you are registered as holder of such Shares in the Company's register of shareholders upon exercise of the Options.

As the Company's Shares may be publicly traded in a stock exchange, you may be subject to the rules and regulations of such stock exchange commission. Therefore, you may be required in different occasions not to sell your Shares in the Company for a limited period of time. By receiving the options hereunder you agree to be bound by, and to act in accordance with, the abovementioned requirements. In addition, any transfer of Shares is subject to restrictions set fourth in the company's articles of association.

The Options as well as the Shares are granted to you personally because of your contribution to the Company. The Options shall not be assignable or transferable except by will or the laws of descent and distribution.

In accordance with the Plan, you (and not the Company nor the Trustee) will bear all the tax consequences which may arise from the Option grant, exercise, payment for Shares or any other event or transaction in connection with the Plan, including tax consequences connected with the sale of Shares. The Company and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules and regulations, including withholding taxes at source.

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You hereby agree to indemnify the Company and the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalties thereon, including, without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to you.

You will not be entitled to receive from the Company and/or the Trustee any Shares allocated or issued upon the exercise of Options prior to the full payments of the tax liabilities arising from Options which were granted to you and/or Shares issued upon the exercise of Options. For the avoidance of doubt, neither the Company nor the Trustee shall be required to release any share certificate until all payments required to be made by you have been fully satisfied.

The receipt of the Option and the acquisition of the Shares to be issued upon the exercise of the Option may result in tax consequences. YOU ARE ADVISED TO CONSULT A TAX ADVISER WITH RESPECT TO THE TAX CONSEQUENCES OF THE RECEIPT OR THE EXERCISE OF OPTIONS OR THE DISPOSAL OF THE SHARES.

It must be stressed that the explanations included herein regarding the Plan are general only and that, the entire Plan, a copy of which attached as **Exhibit A**, is binding. Notwithstanding the foregoing, the conditions of this Grant Letter in connection with the Options shall prevail over the provisions of the Plan.

You hereby acknowledge that you are familiar with the provisions of Section 102 and the regulations and rules promulgated thereunder, including, without limitations, the type of Options granted hereunder and the tax implications applicable to such grant. In addition, you accept the provisions of the trust agreement signed between the Company and the Trustee, attached as **Exhibit B** hereto, and agree to be bound by its terms.

You represent that you are familiar with the terms and provisions of the Plan, and hereby accept this Grant Letter subject to all of the terms and provisions thereof. You further acknowledge that you have reviewed the Plan and this Grant Letter in their entirety, and have had an opportunity to obtain the advice of counsel prior to executing this Grant Letter and fully understand the provisions of the Grant Letter. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee in connection with any question arising under the Plan or this Grant Letter.

You are requested to regard the information contained in this Grant Letter and in the Plan as confidential information and not to disclose its content to anyone, except if and when required by law or for the purpose of gaining legal or tax advice.

If you have any questions or you feel that a certain point is not entirely clear to you, you are welcome to contact Mr. Adi Sapir or who will be glad to answer such questions and provide any further assistance.

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I would like to take the opportunity to thank you for your efforts and your contribution to the development of our Company. I hope that the grant of these Options shall enhance the feeling of partnership between the Company and yourself and that you shall continue to contribute to the Company's growth and success.

Sincerely,

Yigal Jacoby,

Chairman of the Board

Allot Communications Ltd.

I, _____, I.D number _____, hereby acknowledge having read the content of this letter and the Plan and agree to be bound by the provisions herein and therein.

Name + Signature

Date: _____

Exhibit 10.14

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Date:

Mr.

Re: Allot Communications Ltd. — Options Grant Letter ("Grant Letter")

It is with pleasure that I hereby notify you that the Board of Directors of Allot Communications Ltd. (the "**Company**") has decided to grant you options (the "**Options**"), which shall enable you to acquire <<_____>> Ordinary Shares of the Company (the "**Shares**"). The Options are granted as part of the "Allot Communication Ltd. Stock Option Plan (2003)" (the "**Plan**"), which was approved by the Board of Directors. The Options are granted to you under the capital gain tax route in accordance with the provisions of Section 102 of the Income Tax Ordinance [New Version], 1961 as now in effect or as hereafter amended ("**Section 102**").

Any capitalized terms not specifically defined in this letter shall be construed according to the interpretation given to them in the Plan.

You will be entitled to exercise the Options on the following vesting dates (the **"Vesting Dates"**):

As of <<_____>>, 25% of the Options (exercisable to <<_____>> Shares); and

As of <<_____>> and at the end of every subsequent 3 months – additional 6.25% (exercisable to <<_____>> Shares), up to 100% of the amount of the Options listed above.

Notwithstanding the aforesaid, the Vesting Dates shall be accelerated as follows:

I. In the event of a merger with entities other than the currents shareholders of the Company as a result of which the Company is not the surviving entity or a sale of at least 80% of the Company's share capital to entities other than the currents shareholders of the Company, or in the event of a sale of all or substantially all of the assets of the Company (collectively the "**Qualified Sale**"), then the Vesting Dates shall be fully accelerated and the remaining unvested stock options will become fully vested immediately prior to the closing of such Qualified Sale.

II. In the event of a sale of more than 50% (and less than 80%) of the Company's share capital to entities other than the currents shareholders of the Company (the "**Sale**"), in which the successor company (or parent or subsidiary of the successor company) does not agree to assume or substitute the Options, then the Vesting Dates shall be fully accelerated and the remaining unvested stock options will become fully vested immediately prior to the closing of such Sale.

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If the successor company (or parent or subsidiary of the successor company) agrees to assume or substitute the Options and within one (1) year of the closing of a Sale (a) your employment with the successor company is terminated by the successor company without Cause, or (b) you are not offered to continue to be employed by the successor company in a comparable or senior position and/or on comparable or favorable terms, then the Vesting Dates shall be accelerated so that any unvested portion of the substituted Options shall be immediately vested in full as of the date of such termination without Cause, or the date upon such change in your position and/or terms shall take effect, as the case may be.

The above notwithstanding, your rights to accelerated vesting under paragraphs I and II above in connection with a Qualified Sale or A Sale, as applicable, are subject to your full cooperation with the Company as the Company shall reasonably request in connection therewith and to your adherence to all the provisions and performance by you of all obligations set forth in the agreements related to a Qualified Sale or A Sale, as applicable, as such may apply to you.

For clarification purposes, the provisions of Section 12.5 of the Plan shall be applicable also in the event of a Qualified Sale or a Sale, and in any event, no Option shall be exercised later than _____ (the **"Expiration Date"**). Each Option shall be exercisable following the Vesting Dates and subject to the provisions of the Plan, however, no Option shall be exercisable after the Expiration Date.

Subject to the foregoing, the Options may be exercised by you in whole, at any time, or in part, from time to time, to the extent that the Options became vested and exercisable, prior to the Expiration Date.

When you decide to exercise your Options and acquire the Shares, kindly submit a notice of exercise (the "**Notice of Exercise**") to the Company's Secretary or any other person appointed by the Company to deal with this matter, who will have you sign all necessary documents. The Notice of Exercise shall specify the number of Shares with respect to which Options are being exercised. You will be requested to pay a sum, in NIS in accordance to the representative rate of exchange of the U.S. Dollar, published by the Bank of Israel and known on the date of the Notice of Exercise, equal to _____ per each Option exercised.

In the event that your employment terminates for any reason, except if the termination is for Cause (as defined in the Plan), you shall only be able to exercise Vested Options that are exercisable on the date of termination of employment, within two (2) years from the of termination of your employment. In the event that termination is the result of death or disability, any Vested Options still in force may be exercised for a period of two (2) years from the date of such termination. Options that are not exercised within this time period — shall expire, unless otherwise decided by the Company Board or Board's Compensation Committee (the "**Committee**"). Notwithstanding the above, in the event that the Company

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terminates your employment for Cause, you shall not be entitled to exercise any Options not yet exercised and all such Options, whether or not vested, shall expire on the date of termination of your employment.

The Options, and/or the Shares acquired upon the exercise of Option and/or shares received subsequently following any realization of rights, including without limitation bonus shares, shall be held in trust by a trustee nominated by the Committee and approved in accordance with the provisions of section 102 (the "**Trustee**") and held by the Trustee for such period of time as required by Section 102 or any regulations, rules or orders or procedures promulgated thereunder (the "**Holding Period**").

You shall not have any voting rights as a shareholder of the Company (in any and all matters whatsoever) in respect of any Shares purchasable upon the exercise of any Options, until you are registered as holder of such Shares in the Company's register of shareholders upon exercise of the Options.

As the Company's Shares may be publicly traded in a stock exchange, you may be subject to the rules and regulations of such stock exchange commission. Therefore, you may be required in different occasions not to sell your Shares in the Company for a limited period of time. By receiving the options hereunder you agree to be bound by, and to act in accordance with, the abovementioned requirements. In addition, any transfer of Shares is subject to restrictions set fourth in the company's articles of association.

The Options as well as the Shares are granted to you personally because of your contribution to the Company. The Options shall not be assignable or transferable except by will or the laws of descent and distribution.

In accordance with the Plan, you (and not the Company nor the Trustee) will bear all the tax consequences which may arise from the Option grant, exercise, payment for Shares or any other event or transaction in connection with the Plan, including tax consequences connected with the sale of Shares. The Company and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules and regulations, including withholding taxes at source.

You hereby agree to indemnify the Company and the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalties thereon, including, without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to you.

You will not be entitled to receive from the Company and/or the Trustee any Shares allocated or issued upon the exercise of Options prior to the full payments of the tax liabilities arising from Options which were granted to you and/or Shares issued upon the exercise of Options. For the avoidance of doubt, neither the Company nor the Trustee shall be required to release any share certificate until all payments required to be made by you have been fully satisfied.

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The receipt of the Option and the acquisition of the Shares to be issued upon the exercise of the Option may result in tax consequences. YOU ARE ADVISED TO CONSULT A TAX ADVISER WITH RESPECT TO THE TAX CONSEQUENCES OF THE RECEIPT OR THE EXERCISE OF OPTIONS OR THE DISPOSAL OF THE SHARES.

It must be stressed that the explanations included herein regarding the Plan are general only and that, the entire Plan, a copy of which attached as **Exhibit A**, is binding. Notwithstanding the foregoing, the conditions of this Grant Letter in connection with the Options shall prevail over the provisions of the Plan.

You hereby acknowledge that you are familiar with the provisions of Section 102 and the regulations and rules promulgated thereunder, including, without limitations, the type of Options granted hereunder and the tax implications applicable to such grant. In addition, you accept the provisions of the trust agreement signed between the Company and the Trustee, attached as **Exhibit B** hereto, and agree to be bound by its terms.

You represent that you are familiar with the terms and provisions of the Plan, and hereby accept this Grant Letter subject to all of the terms and provisions thereof. You further acknowledge that you have reviewed the Plan and this Grant Letter in their entirety, and have had an opportunity to obtain the advice of counsel prior to executing this Grant Letter and fully understand the provisions of the Grant Letter. You hereby agree to accept as binding, conclusive and final all reasonable decisions or interpretations of the Committee in connection with any question arising under the Plan or this Grant Letter.

You are requested to regard the information contained in this Grant Letter and in the Plan as confidential information and not to disclose its content to anyone, except if and when required by law or for the purpose of gaining legal or tax advice.

If you have any questions or you feel that a certain point is not entirely clear to you, you are welcome to contact Mr. Adi Sapir or who will be glad to answer such questions and provide any further assistance.

I would like to take the opportunity to thank you for your efforts and your contribution to the development of our Company. I hope that the grant of these Options shall enhance the feeling of partnership between the Company and yourself and that you shall continue to contribute to the Company's growth and success.

Sincerely,

_____

_____

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I, _____ I.D number _____ hereby acknowledge having read the content of this letter and the Plan and agree to be bound by the provisions herein and therein.

Name + Signature

Date: _____

Exhibit 10.15

ALLOT COMMUNICATIONS LTD.
2006 INCENTIVE COMPENSATION PLAN

Allot Communications Ltd., an Israeli corporation (the "Company"), has adopted the Allot Communications Ltd. 2006 Incentive Compensation Plan (the "Plan") for the benefit of non-employee directors of the Company, officers and eligible employees and consultants of the Company and any Subsidiaries and Affiliates (as each term is defined below), as follows:

ARTICLE I.
ESTABLISHMENT; PURPOSES; AND DURATION

1.1. Establishment of the Plan. The Company hereby establishes this incentive compensation plan to be known as the "Allot Communications Ltd. 2006 Incentive Compensation Plan," as set forth in this document. The Plan permits the grant of Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares, Cash-Based Awards and Other Stock-Based Awards. The Plan was adopted by the Board of Directors (as defined below) on October 29, 2006. The Plan shall become effective immediately prior to the effective date of the initial public offering of the Shares pursuant to a registration statement under the Securities Act (the "Effective Date"), provided that the Plan is approved by the holders of a majority of the outstanding Shares which are present and voted at a meeting, which approval must occur within the period ending twelve (12) months after the date the Plan is adopted by the Board. The effectiveness of any Awards granted prior to such shareholder approval shall be specifically subject to and conditioned upon, and no Award shall be vested or exercisable until, such shareholder approval. If the Plan is not so approved by the Company's shareholders or the Company's initial public offering of Shares does not occur prior to December 31, 2006, the Plan shall not become effective, and shall terminate immediately, and any Awards previously granted shall thereupon be automatically canceled and deemed to have been null and void ab initio. The Plan shall remain in effect as provided in Section 1.3.

1.2. Purposes of the Plan. The purposes of the Plan are to provide additional incentives to non-employee directors of the Company and to those officers, employees and consultants of the Company, Subsidiaries and Affiliates whose substantial contributions are essential to the continued growth and success of the business of the Company and the Subsidiaries and Affiliates, in order to strengthen their commitment to the Company and the Subsidiaries and Affiliates, and to attract and retain competent and dedicated individuals whose efforts will result in the long-term growth and profitability of the Company and to further align the interests of such non-employee directors, officers, employees and consultants with the interests of the shareholders of the Company. To accomplish such purposes, the Plan provides that the Company may grant Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares, Cash-Based Awards and Other Stock-Based Awards.

1.3. Duration of the Plan. The Plan shall commence on the Effective Date, as described in Section 1.1, and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan at any time pursuant to Article XV, until all Shares subject to it

shall have been delivered, and any restrictions on such Shares have lapsed, pursuant to the Plan's provisions. However, in no event may an Award be granted under the Plan on or after ten years from the Effective Date.

ARTICLE II.
DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

2.1. "Affiliate" means any entity other than the Company and any Subsidiary that is affiliated with the Company through stock or equity ownership or otherwise and is designated as an Affiliate for purposes of the Plan by the Committee.

2.2. "Assumed" means that pursuant to a transaction resulting in a Change of Control, either (a) the Award is expressly affirmed by the Company or (b) the contractual obligations represented by the Award are expressly assumed (and not simply by operation of law) by the surviving or successor corporation or entity to the Company, or any parent or subsidiary of either thereof, or any other corporation or entity that is a party to the transaction resulting in the Change of Control, in connection with such Change of Control, with appropriate adjustments to the number and kind of securities of such surviving or successor corporation or entity, or such other applicable parent, subsidiary, corporation or entity, subject to the Award and the exercise or purchase price thereof, which preserves the compensation element of the Award existing at the time of such Change of Control transaction, and provides for subsequent payout in accordance with the same (or more favorable) payment and vesting schedule applicable to such Award, as determined in accordance with the instruments evidencing the agreement to assume the Award. The determination of Award comparability for this purpose shall be made by the Committee, and its determination shall be final, binding and conclusive.

2.3. "Award" means, individually or collectively, a grant under the Plan of Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards, and Other Stock-Based Awards.

2.4. "Award Agreement" means either: (a) a written agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under the Plan, or (b) a written or electronic statement issued by the Company to a Participant describing the terms and provisions of such Award, including any amendment or modification thereof. The Committee may provide for the use of electronic, internet or other non-paper Award Agreements, and the use of electronic, internet or other non-paper means for the acceptance thereof and actions thereunder by a Participant.

2.5. "Beneficial Ownership" (including correlative terms) shall have the meaning given such term in Rule 13d-3 promulgated under the Exchange Act.

2.6. "Board" or "Board of Directors" means the Board of Directors of the Company.

2.7. "Cash-Based Award" means an Award granted to a Participant, as described in Article IX.

2.8. "Cause" shall have the definition given such term in a Participant's Award Agreement, or in the absence of any such definition, as determined in good faith by the Committee.

2.9. "Change of Control" means the occurrence of any of the following:

(a) an acquisition in one transaction or a series of related transactions (other than directly from the Company or pursuant to Awards granted under the Plan or compensatory options or other similar awards granted by the Company) by any Person of any Voting Securities of the Company, immediately after which such Person has Beneficial Ownership of fifty percent (50%) or more of the combined voting power of the Company's then outstanding Voting Securities; provided, however, that in determining whether a Change of Control has occurred pursuant to this Section 2.9(a), Voting Securities of the Company which are acquired in a Non-Control Acquisition shall not constitute an acquisition that would cause a Change of Control; or

(b) the consummation of any merger, consolidation, recapitalization or reorganization involving the Company unless:

(i) the shareholders of the Company, immediately before such merger, consolidation, recapitalization or reorganization, own, directly or indirectly, immediately following such merger, consolidation, recapitalization or reorganization, more than fifty percent (50%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger or consolidation or reorganization (the "Company Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities of the Company immediately before such merger, consolidation, recapitalization or reorganization; and

(ii) the individuals who were members of the Board immediately prior to the execution of the agreement providing for such merger, consolidation, recapitalization or reorganization constitute at least a majority of the members of the board of directors of the Company Surviving Corporation, or a corporation Beneficially Owning, directly or indirectly, a majority of the voting securities of the Company Surviving Corporation, and

(iii) no Person, other than (A) the Company, (B) any Related Entity, (C) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such merger, consolidation, recapitalization or reorganization, was maintained by the Company, the Company Surviving Corporation, or any Related Entity or (D) any Person who, together with its Affiliates, immediately prior to such merger, consolidation, recapitalization or reorganization had Beneficial Ownership of fifty percent (50%) or more of the then outstanding Voting Securities of the Company, owns, together with its Affiliates, Beneficial Ownership of fifty percent (50%) or more of the combined voting power of the Company Surviving Corporation's then outstanding Voting Securities

(a transaction described in clauses (d)(i) through (d)(iii) above is referred to herein as a "Non-Control Transaction"); or

(c) any sale, lease, exchange, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets or business of the Company to any Person (other than (A) a transfer or distribution to a Related Entity, or (B) a transfer or distribution to the Company's shareholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change of Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of fifty percent (50%) or more of the combined voting power of the then outstanding Voting Securities of the Company as a result of the acquisition of Voting Securities of the Company by the Company which, by reducing the number of Voting Securities of the Company then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Persons, provided that if a Change of Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company and (1) before such share acquisition by the Company the Subject Person becomes the Beneficial Owner of any new or additional Voting Securities of the Company in a related transaction or (2) after such share acquisition by the Company the Subject Person becomes the Beneficial Owner of any new or additional Voting Securities of the Company which in either case increases the percentage of the then outstanding Voting Securities of the Company Beneficially Owned by the Subject Person, then a Change of Control shall be deemed to occur.

Solely for purposes of this Section 2.9, (1) "Affiliate" shall mean, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by, or is under common control with, such Person, and (2) "control" (including with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise. Any Relative (for this purpose, "Relative" means a spouse, child, parent, parent of spouse, sibling or grandchild) of an individual shall be deemed to be an Affiliate of such individual for this purpose. None of the Company or any Person controlled by the Company shall be deemed to be an Affiliate of any holder of Shares.

2.10. "Committee" means the Compensation Committee of the Board of Directors or a subcommittee thereof, or such other committee designated by the Board to administer the Plan.

2.11. "Company Surviving Corporation" has the meaning provided in Section 2.9(b)(i).

2.12. "Consultant" means an independent contractor who performs services for the Company or a Subsidiary or Affiliate in a capacity other than as an Employee or Director.

2.13. "Director" means any individual who is a member of the Board of Directors of the Company.

2.14. "Dividend Equivalents" means the equivalent value (in cash or Shares) of dividends that would otherwise be paid on the Shares subject to an Award but that have not been issued or delivered, as described in Article XI.

2.15. "Effective Date" shall have the meaning ascribed to such term in Section 1.1.

2.16. "Employee" means any person designated as an employee of the Company, a Subsidiary and/or an Affiliate on the payroll records thereof. An Employee shall not include any individual during any period he or she is classified or treated by the Company, a Subsidiary or an Affiliate as an independent contractor, a consultant, or any employee of an employment, consulting, or temporary agency or any other entity other than the Company, a Subsidiary and/or an Affiliate without regard to whether such individual is subsequently determined to have been, or is subsequently retroactively reclassified as a common-law employee of the Company, a Subsidiary and/or an Affiliate during such period. As further provided in Section 18.4, for purposes of the Plan, upon approval by the Committee, the term Employee may also include Employees whose employment with the Company, a Subsidiary or an Affiliate has been terminated subsequent to being granted an Award under the Plan. For the avoidance of doubt, a Director who would otherwise be an "Employee" within the meaning of this Section 2.16 shall be considered an Employee for purposes of the Plan.

2.17. "Exchange Act" means the Securities Exchange Act of 1934, as it may be amended from time to time, including the rules and regulations promulgated thereunder and successor provisions and rules and regulations thereto.

2.18. "Fair Market Value" means the fair market value of the Shares as determined by the Committee by the reasonable application of a reasonable valuation method, consistently applied, as the Committee deems appropriate.

2.19. "Fiscal Year" means the calendar year, or such other consecutive twelve-month period as the Committee may select.

2.20. "Freestanding SAR" means an SAR that is granted independently of any Options, as described in Article VII.

2.21. "Good Reason" shall have the definition given such term in a Participant's Award Agreement, or in the absence of any such definition, as determined in good faith by the Committee.

2.22. "Grant Price" means the price established at the time of grant of an SAR pursuant to Article VII, used to determine whether there is any payment due upon exercise of the SAR.

2.23. "Insider" means an individual who is, on the relevant date, an officer, director or ten percent (10%) Beneficial Owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Committee in accordance with Section 16 of the Exchange Act.

2.24. "Non-Control Acquisition" means an acquisition (whether by merger, stock purchase, asset purchase or otherwise) by (a) an employee benefit plan (or a trust forming a part thereof) maintained by (i) the Company or (ii) any corporation or other Person of which fifty percent (50%) or more of its total value or total voting power of its Voting Securities or equity interests is owned, directly or indirectly, by the Company (a "Related Entity"); (b) the Company or any Related Entity; (c) any Person in connection with a Non-Control Transaction; or (d) any Person that owns, together with its Affiliates, Beneficial Ownership of fifty percent (50%) or more of the outstanding Voting Securities of the Company on the Effective Date.

2.25. "Non-Control Transaction" shall have the meaning provided in Section 2.9(b).

2.26. "Non-Employee Director" means a Director who is not an Employee.

2.27. "Notice" means notice provided by a Participant to the Company in a manner prescribed by the Committee.

2.28. "Option" or "Stock Option" means a Stock Option, as described in Article VI.

2.29. "Option Price" means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.30. "Other Stock-Based Award" means an equity-based or equity-related Award described in Section 10.1, granted in accordance with the terms and conditions set forth in Article X.

2.31. "Participant" means any eligible individual as set forth in Article V who holds one or more outstanding Awards.

2.32. "Performance Period" means the period of time during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to, or the amount or entitlement to, an Award.

2.33. "Performance Share" means an Award of a performance share granted to a Participant, as described in Article IX.

2.34. "Performance Unit" means an Award of a performance unit granted to a Participant, as described in Article IX.

2.35. "Period of Restriction" means the period during which Shares of Restricted Stock or Restricted Stock Units are subject to a substantial risk of forfeiture, and, in the case of Restricted Stock, the transfer of Shares of Restricted Stock is limited in some way, as provided in Article VIII.

2.36. "Person" means "person" as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act, including any individual, corporation, limited liability company, partnership, trust, unincorporated organization, government or any agency or political subdivision thereof, or any other entity or any group of persons.

2.37. "Prior Option Plans" means the Allot Communications Ltd. Stock Option Plan (2003), the Allot Communications Ltd. Key Employees Share Incentive Plan and the Allot Communications Ltd. Key Employees of subsidiaries and consultants Share Incentive Plan.

2.38. "Replaced" means that pursuant to a transaction resulting in a Change of Control, the Award is replaced with a comparable stock award or a cash incentive program by the Company, the surviving or successor corporation or entity to the Company, or any parent or subsidiary of either thereof, or any other corporation or entity that is a party to the transaction resulting in the Change of Control, in connection with such Change of Control, which preserves

the compensation element of the Award existing at the time of such Change of Control transaction, and provides for subsequent payout in accordance with the same (or more favorable) payment and vesting schedule applicable to such Award, as determined in accordance with the instruments evidencing the agreement to assume the Award. The determination of Award comparability for this purpose shall be made by the Committee, and its determination shall be final, binding and conclusive.

2.39. "Restricted Stock" means an Award granted to a Participant pursuant to Article VIII.

2.40. "Restricted Stock Unit" means an Award, whose value is equal to a Share, granted to a Participant pursuant to Article VIII.

2.41. "Rule 16b-3" means Rule 16b-3 under the Exchange Act, or any successor rule, as the same may be amended from time to time.

2.42. "Securities Act" means the Securities Act of 1933, as it may be amended from time to time, including the rules and regulations promulgated thereunder and successor provisions and rules and regulations thereto.

2.43. "Share" means an Ordinary Share, par value NIS0.10 per share, of the Company (including any new, additional or different stock or securities resulting from any change in corporate capitalization as listed in Section 4.2).

2.44. "Stock Appreciation Right" or "SAR" means an Award, granted alone (a "Freestanding SAR") or in connection with a related Option (a "Tandem SAR"), designated as an SAR, pursuant to the terms of Article VII.

2.45. "Subject Person" has the meaning provided in Section 2.9.

2.46. "Subsidiary" means any present or future corporation which is or would be a "subsidiary corporation" of the Company as determined by the Committee.

2.47. "Substitute Awards" means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, options or other awards previously granted, or the right or obligation to grant future options or other awards, by a company acquired by the Company, a Subsidiary and/or an Affiliate or with which the Company, a Subsidiary and/or an Affiliate combines, or otherwise in connection with any merger, consolidation, acquisition of property or stock, or reorganization involving the Company, a Subsidiary or an Affiliate.

2.48. "Tandem SAR" means an SAR that is granted in connection with a related Option pursuant to Article VII.

2.49. "Termination" means the time when a Participant ceases the performance of services for the Company, any Affiliate or Subsidiary, as applicable, for any reason, with or without Cause, including a Termination by resignation, discharge, death, Disability or Retirement, but excluding (a) a Termination where there is a simultaneous reemployment (or commencement of service) or continuing employment (or service) of a Participant by the

Company, Affiliate or any Subsidiary, (b) at the discretion of the Committee, a Termination that results in a temporary severance, and (c) at the discretion of the Committee, a Termination of an Employee that is immediately followed by the Participant's service as a Non-Employee Director.

2.50. "Voting Securities" shall mean, with respect to any Person that is a corporation, all outstanding voting securities of such Person entitled to vote generally in the election of the board of directors of such Person.

ARTICLE III.
ADMINISTRATION

3.1. General. The Committee shall have exclusive authority to operate, manage and administer the Plan in accordance with its terms and conditions. Notwithstanding the foregoing, in its absolute discretion, the Board may at any time and from time to time exercise any and all rights, duties and responsibilities of the Committee under the Plan, including establishing procedures to be followed by the Committee, but excluding matters which under any applicable law, regulation or rule, including any exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3), are required to be determined in the sole discretion of the Committee. If and to the extent that the Committee does not exist or cannot function, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee, subject to the limitations set forth in the immediately preceding sentence.

3.2. Committee. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors.

3.3. Authority of the Committee. The Committee shall have full discretionary authority to grant or, when so restricted by applicable law, recommend the Board to grant, pursuant to the terms of the Plan, Awards to those individuals who are eligible to receive Awards under the Plan. Except as limited by law or by the Articles of Association of the Company, and subject to the provisions herein, the Committee shall have full power, in accordance with the other terms and provisions of the Plan, to:

(a) select Employees, Non-Employee Directors and Consultants who may receive Awards under the Plan and become Participants;

(b) determine eligibility for participation in the Plan and decide all questions concerning eligibility for, and the amount of, Awards under the Plan;

(c) determine the sizes and types of Awards;

(d) determine the terms and conditions of Awards, including the Option Prices of Options and the Grant Prices of SARs;

(e) grant Awards as an alternative to, or as the form of payment for grants or rights earned or payable under, other bonus or compensation plans, arrangements or policies of the Company or a Subsidiary or Affiliate;

(f) grant Substitute Awards on such terms and conditions as the Committee may prescribe;

(g) make all determinations under the Plan concerning Termination of any Participant's employment or service with the Company or a Subsidiary or Affiliate, including whether such Termination occurs by reason of Cause, Good Reason, disability, retirement or in connection with a Change of Control and whether a leave constitutes a Termination;

(h) construe and interpret the Plan and any agreement or instrument entered into under the Plan, including any Award Agreement;

(i) establish and administer any terms, conditions, restrictions, limitations, forfeiture, vesting or exercise schedule, and other provisions of or relating to any Award;

(j) establish and administer any performance goals in connection with any Awards, including performance criteria and applicable Performance Periods, determine the extent to which any performance goals and/or other terms and conditions of an Award are attained or are not attained;

(k) construe any ambiguous provisions, correct any defects, supply any omissions and reconcile any inconsistencies in the Plan and/or any Award Agreement or any other instrument relating to any Awards;

(l) establish, adopt, amend, waive and/or rescind rules, regulations, procedures, guidelines, forms and/or instruments for the Plan's operation or administration;

(m) make all valuation determinations relating to Awards and the payment or settlement thereof;

(n) grant waivers of terms, conditions, restrictions and limitations under the Plan or applicable to any Award, or accelerate the vesting or exercisability of any Award;

(o) subject to the provisions of Article XV, amend or adjust the terms and conditions of any outstanding Award and/or adjust the number and/or class of shares of stock subject to any outstanding Award;

(p) at any time and from time to time after the granting of an Award, specify such additional terms, conditions and restrictions with respect to such Award as may be deemed necessary or appropriate to ensure compliance with any and all applicable laws or rules, including terms, restrictions and conditions for compliance with applicable securities laws or listing rules, methods of withholding or providing for the payment of required taxes and restrictions regarding a Participant's ability to exercise Options through a cashless (broker-assisted) exercise;

(q) offer to buy out an Award previously granted, based on such terms and conditions as the Committee shall establish with and communicate to the Participant at the time such offer is made;

(r) determine whether, and to what extent and under what circumstances Awards may be settled in cash, Shares or other property or canceled or suspended; and

(s) exercise all such other authorities, take all such other actions and make all such other determinations as it deems necessary or advisable for the proper operation and/or administration of the Plan.

3.4. Award Agreements. The Committee shall, subject to applicable laws and rules, determine the date an Award is granted. Each Award shall be evidenced by an Award Agreement; however, two or more Awards granted to a single Participant may be combined in a single Award Agreement. An Award Agreement shall not be a precondition to the granting of an Award; provided, however, that (a) the Committee may, but need not, require as a condition to any Award Agreement's effectiveness, that such Award Agreement be executed on behalf of the Company and/or by the Participant to whom the Award evidenced thereby shall have been granted (including by electronic signature or other electronic indication of acceptance), and such executed Award Agreement be delivered to the Company, and (b) no person shall have any rights under any Award unless and until the Participant to whom such Award shall have been granted has complied with the applicable terms and conditions of the Award. The Committee shall prescribe the form of all Award Agreements, and, subject to the terms and conditions of the Plan, shall determine the content of all Award Agreements. Any Award Agreement may be supplemented or amended in writing from time to time as approved by the Committee; provided that the terms and conditions of any such Award Agreement as supplemented or amended are not inconsistent with the provisions of the Plan. In the event of any dispute or discrepancy concerning the terms of an Award, the records of the Committee or its designee shall be determinative.

3.5. Discretionary Authority; Decisions Binding. The Committee shall have full discretionary authority in all matters related to the discharge of its responsibilities and the exercise of its authority under the Plan. All determinations, decisions, actions and interpretations by the Committee with respect to the Plan and any Award Agreement, and all related orders and resolutions of the Committee shall be final, conclusive and binding on all Participants, the Company and its shareholders, any Subsidiary or Affiliate and all persons having or claiming to have any right or interest in or under the Plan and/or any Award Agreement. The Committee shall consider such factors as it deems relevant to making or taking such decisions, determinations, actions and interpretations, including the recommendations or advice of any Director or officer or employee of the Company, any director, officer or employee of a Subsidiary or Affiliate and such attorneys, consultants and accountants as the Committee may select. A Participant or other holder of an Award may contest a decision or action by the Committee with respect to such person or Award only on the grounds that such decision or action was arbitrary or capricious or was unlawful, and any review of such decision or action shall be limited to determining whether the Committee's decision or action was arbitrary or capricious or was unlawful.

3.6. Attorneys; Consultants. The Committee may consult with counsel who may be counsel to the Company. The Committee may, with the approval of the Board, employ such other attorneys and/or consultants, accountants, appraisers, brokers, agents and other persons, any of whom may be an Employee, as the Committee deems necessary or appropriate. The

Committee, the Company and its officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. The Committee shall not incur any liability for any action taken in good faith in reliance upon the advice of such counsel or other persons.

3.7. Delegation of Administration. Except to the extent prohibited by applicable law, including any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3), or the applicable rules of a stock exchange, the Committee may, in its discretion, allocate all or any portion of its responsibilities and powers under this Article III to any one or more of its members and/or delegate all or any part of its responsibilities and powers under this Article III to any person or persons selected by it; provided, however, that the Committee may not delegate its authority to correct defects, omissions or inconsistencies in the Plan. Any such authority delegated or allocated by the Committee under this Section 3.7 shall be exercised in accordance with the terms and conditions of the Plan and any rules, regulations or administrative guidelines that may from time to time be established by the Committee, and any such allocation or delegation may be revoked by the Committee at any time.

ARTICLE IV.
SHARES SUBJECT TO THE PLAN

4.1. Number of Shares Available for Grants. The shares of stock subject to Awards granted under the Plan shall be Shares. Such Shares subject to the Plan may be either authorized and unissued shares or previously issued shares acquired by the Company or any Subsidiary. Subject to adjustment as provided in Section 4.2, the total number of Shares that may be delivered pursuant to Awards under the Plan shall be (x) 89,732 Shares, representing all Shares remaining available for issuance and not subject to outstanding awards under the Prior Option Plans on the Effective Date (as may be increased by no more than 3,451,439 Shares subject to outstanding awards under the Prior Option Plans on the Effective Date that are subsequently forfeited or terminate for any other reason before being exercised) and (y) an annual increase on the first day of each fiscal year during the term of the Plan, beginning January 1, 2007, in each case in an amount equal to the lesser of (i) 1,000,000 Shares, (ii) 3.5% of the outstanding Shares on the last day of the immediately preceding year, or (iii) an amount determined by the Board. If (a) any Shares are subject to an Option, SAR, or other Award which for any reason expires or is terminated or canceled without having been fully exercised or satisfied, or are subject to any Restricted Stock Award (including any Shares subject to a Participant's Restricted Stock Award that are repurchased by the Company at the Participant's cost), Restricted Stock Unit Award or other Award granted under the Plan which are forfeited, or (b) any Award based on Shares is settled for cash, expires or otherwise terminates without the issuance of such Shares, the Shares subject to such Award shall, to the extent of any such expiration, termination, cancellation, forfeiture or cash settlement, be available for delivery in connection with future Awards under the Plan. Any Shares delivered under the Plan upon exercise or satisfaction of Substitute Awards shall not reduce the Shares available for delivery under the Plan.

4.2. Adjustments in Authorized Shares. In the event of any reclassification, recapitalization, merger or consolidation (other than if resulting in a Change of Control), reorganization, , stock dividend or other distribution in securities of the Company, stock split or reverse stock split, combination or exchange of shares, repurchase of shares, or other like change

in corporate structure, that proportionally apply to all shares of the Company, the Committee, shall substitute or adjust, as applicable, the number, class and kind of securities which may be delivered under Section 4.1; the number, class and kind, and/or price (such as the Option Price of Options or the Grant Price of SARs) of securities subject to outstanding Awards; and other value determinations applicable to outstanding Awards, as determined by the Committee, in order to prevent dilution or enlargement of Participants' rights under the Plan; provided, however, that the number of Shares subject to any Award shall always be a whole number. The Committee, shall also make appropriate adjustments and modifications, as determined by the Committee, in the terms of any outstanding Awards to reflect or related to any such events, adjustments, substitutions or changes, including modifications of performance goals and changes in the length of Performance Periods. All determinations of the Committee as to adjustments or changes, if any, under this Section 4.2 shall be conclusive and binding on the Participants.

4.3. No Limitation on Corporate Actions. The existence of the Plan and any Awards granted hereunder shall not affect in any way the right or power of the Company, any Subsidiary or any Affiliate to make or authorize any adjustment, recapitalization, reorganization or other change in its capital structure or business structure, any merger or consolidation, any issuance of debt, preferred or prior preference stock ahead of or affecting the Shares, additional shares of capital stock or other securities or subscription rights thereto, any dissolution or liquidation, any sale or transfer of all or part of its assets or business or any other corporate act or proceeding.

ARTICLE V.
ELIGIBILITY AND PARTICIPATION

5.1. Eligibility. Employees, Non-Employee Directors and Consultants shall be eligible to become Participants and receive Awards in accordance with the terms and conditions of the Plan.

5.2. Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select Participants from all eligible Employees, Non-Employee Directors and Consultants and shall determine the nature and amount of each Award.

ARTICLE VI.
STOCK OPTIONS

6.1. Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. The Committee may grant an Option or provide for the grant of an Option, either from time to time in the discretion of the Committee or automatically upon the occurrence of specified events, including the achievement of performance goals, the satisfaction of an event or condition within the control of the recipient of the Option or within the control of others. The granting of an Option shall take place when the Committee by resolution, written consent or other appropriate action determines to grant such Option for a particular number of Shares to a particular Participant at a particular Option Price.

6.2. Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the maximum duration of the Option, the number of Shares to which the Option pertains, the conditions upon which the Option shall become exercisable and such other provisions as the Committee shall determine, which are not inconsistent with the terms of the Plan.

6.3. Option Price. The Option Price for each Option shall be determined by the Committee and set forth in the Award Agreement; provided that Substitute Awards or Awards granted in connection with an adjustment provided for in Section 4.2, in the form of stock options, shall have an Option Price per Share that is intended to maintain the economic value of the Award that was replaced or adjusted, as determined by the Committee.

6.4. Duration of Options. Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant and set forth in the Award Agreement; provided, however, that no Option shall be exercisable later than the tenth (10^{th}) anniversary of its date of grant.

6.5. Exercise of Options. Options shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance determine and set forth in the Award Agreement, which need not be the same for each grant or for each Option or Participant.

6.6. Payment. Options shall be exercised by the delivery of a written notice of exercise to the Company, in a form specified or accepted by the Committee, or by complying with any alternative exercise procedures that may be authorized by the Committee, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for such Shares, which shall include applicable taxes, if any, in accordance with Article XVI. The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent; (b) subject to such terms, conditions and limitations as the Committee may prescribe, by tendering (either by actual delivery or attestation) unencumbered Shares previously acquired by the Participant exercising such Option having an aggregate Fair Market Value at the time of exercise equal to the total Option Price, (c) by a combination of (a) and (b); or (d) by any other method approved or accepted by the Committee in its sole discretion, including, if the Committee so determines, (x) a cashless (broker-assisted) exercise that complies with all applicable laws or (y) withholding of Shares otherwise deliverable to the Participant pursuant to the Option having an aggregate Fair Market Value at the time of exercise equal to the total Option Price. Subject to any governing rules or regulations, as soon as practicable after receipt of a written notification of exercise and full payment in accordance with the preceding provisions of this Section 6.6, the Company shall deliver to the Participant exercising an Option, in the Participant's name, evidence of book entry Shares, or, upon the Participant's request, Share certificates, in an appropriate amount based upon the number of Shares purchased under the Option, subject to Section 18.10.

6.7. Rights as a Shareholder. No Participant or other person shall become the beneficial owner of any Shares subject to an Option, nor have any rights to dividends or other rights of a shareholder with respect to any such Shares, until the Participant has actually received

such Shares following exercise of his or her Option in accordance with the provisions of the Plan and the applicable Award Agreement.

6.8. Termination of Employment or Service(a). Except as otherwise provided in the Award Agreement, an Option may be exercised only to the extent that it is then exercisable, and if at all times during the period beginning with the date of granting of such Option and ending on the date of exercise of such Option the Participant is an Employee or Non-Employee Director, and shall terminate immediately upon a Termination of the Participant. An Option shall cease to become exercisable upon a Termination of the holder thereof. Notwithstanding the foregoing provisions of this Section 6.8 to the contrary, the Committee may determine in its discretion that an Option may be exercised following any such Termination, whether or not exercisable at the time of such Termination; provided, however, that in no event may an Option be exercised after the expiration date of such Option specified in the applicable Award Agreement, except as determined by the Committee.

ARTICLE VII.
STOCK APPRECIATION RIGHTS

7.1. Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant an SAR (a) in connection and simultaneously with the grant of an Option (a Tandem SAR) or (b) independent of, and unrelated to, an Option (a Freestanding SAR). The Committee shall have complete discretion in determining the number of Shares to which an SAR pertains (subject to Article IV) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to any SAR.

7.2. Grant Price. The Grant Price for each SAR shall be determined by the Committee and set forth in the Award Agreement, subject to the limitations of this Section 7.2. The Grant Price for each Freestanding SAR shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the date such Freestanding SAR is granted, except in the case of Substitute Awards or Awards granted in connection with an adjustment provided for in Section 4.2. The Grant Price of a Tandem SAR shall be equal to the Option Price of the related Option.

7.3. Exercise of Tandem SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR shall be exercisable only when and to the extent the related Option is exercisable and may be exercised only with respect to the Shares for which the related Option is then exercisable. A Tandem SAR shall entitle a Participant to elect, in the manner set forth in the Plan and the applicable Award Agreement, in lieu of exercising his or her unexercised related Option for all or a portion of the Shares for which such Option is then exercisable pursuant to its terms, to surrender such Option to the Company with respect to any or all of such Shares and to receive from the Company in exchange therefor a payment described in Section 7.7. An Option with respect to which a Participant has elected to exercise a Tandem SAR shall, to the extent of the Shares covered by such exercise, be canceled automatically and surrendered to the Company. Such Option shall thereafter remain exercisable according to its

terms only with respect to the number of Shares as to which it would otherwise be exercisable, less the number of Shares with respect to which such Tandem SAR has been so exercised.

7.4. Exercise of Freestanding SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, in accordance with the Plan, determines and sets forth in the Award Agreement.

7.5. Award Agreement. Each SAR grant shall be evidenced by an Award Agreement that shall specify the number of Shares to which the SAR pertains, the Grant Price, the term of the SAR, and such other terms and conditions as the Committee shall determine in accordance with the Plan.

7.6. Term of SARs. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that the term of any Tandem SAR shall be the same as the related Option and no SAR shall be exercisable more than ten (10) years after it is granted.

7.7. Payment of SAR Amount. An election to exercise SARs shall be deemed to have been made on the date of Notice of such election to the Company. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The excess of the Fair Market Value of a Share on the date of exercise over the Grant Price of the SAR; by

(b) The number of Shares with respect to which the SAR is exercised.

Notwithstanding the foregoing provisions of this Section 7.7 to the contrary, the Committee may establish and set forth in the applicable Award Agreement a maximum amount per Share that will be payable upon the exercise of an SAR. At the discretion of the Committee, such payment upon exercise of an SAR shall be in cash, in Shares of equivalent Fair Market Value, or in some combination thereof.

7.8. Rights as a Shareholder. A Participant receiving an SAR shall have the rights of a Shareholder only as to Shares, if any, actually issued to such Participant upon satisfaction or achievement of the terms and conditions of the Award, and in accordance with the provisions of the Plan and the applicable Award Agreement, and not with respect to Shares to which such Award relates but which are not actually issued to such Participant.

7.9. Termination of Employment or Service. Each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following such Participant's Termination, if at all, subject to Section 6.8, as applicable to any Tandem SAR. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for Termination.

ARTICLE VIII.
RESTRICTED STOCK AND RESTRICTED STOCK UNITS

8.1. Awards of Restricted Stock and Restricted Stock Units. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Participants in such amounts as the Committee shall determine. Subject to the terms and conditions of this Article VIII and the Award Agreement, upon delivery of Shares of Restricted Stock to a Participant, or creation of a book entry evidencing a Participant's ownership of Shares of Restricted Stock, pursuant to Section 8.6, the Participant shall have all of the rights of a shareholder with respect to such Shares, subject to the terms and restrictions set forth in this Article VIII or the applicable Award Agreement or as determined by the Committee. Restricted Stock Units shall be similar to Restricted Stock, except no Shares are actually awarded to a Participant who is granted Restricted Stock Units on the date of grant, and such Participant shall have no rights of a shareholder with respect to such Restricted Stock Units.

8.2. Award Agreement. Each Restricted Stock and/or Restricted Stock Unit Award shall be evidenced by an Award Agreement that shall specify the Period of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine in accordance with the Plan. Any Restricted Stock Award must be accepted by the Participant within a period of ninety (90) days (or such shorter period as determined by the Committee at the time of award) after the award date, by executing such Restricted Stock Award Agreement and providing the Committee or its designee a copy of such executed Award Agreement and payment of the applicable purchase price of such Shares of Restricted Stock, if any, as determined by the Committee.

8.3. Nontransferability of Restricted Stock. Except as provided in this Article VIII, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, encumbered, alienated, hypothecated or otherwise disposed of until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Award Agreement.

8.4. Period of Restriction and Other Restrictions. The Period of Restriction shall lapse based on continuing service as a Non-Employee Director or Consultant or continuing employment with the Company, a Subsidiary or an Affiliate, the achievement of performance goals, the satisfaction of other conditions or restrictions or upon the occurrence of other events, in each case, as determined by the Committee, at its discretion, and stated in the Award Agreement.

8.5. Delivery of Shares, Payment of Restricted Stock Units. Subject to Section 18.10, after the last day of the Period of Restriction applicable to a Participant's Shares of Restricted Stock, and after all conditions and restrictions applicable to such Shares of Restricted Stock have been satisfied or lapse (including satisfaction of any applicable withholding tax obligations), pursuant to the applicable Award Agreement, such Shares of Restricted Stock shall become freely transferable by such Participant. After the last day of the Period of Restriction applicable to a Participant's Restricted Stock Units, and after all conditions and restrictions applicable to Restricted Stock Units have been satisfied or lapse (including satisfaction of any applicable

withholding tax obligations), pursuant to the applicable Award Agreement, such Restricted Stock Units shall be settled by delivery of Shares, a cash payment determined by reference to the then-current Fair Market Value of Shares or a combination of Shares and such cash payment as the Committee, in its sole discretion, shall determine, either by the terms of the Award Agreement or otherwise.

8.6. Forms of Restricted Stock Awards. Each Participant who receives an Award of Shares of Restricted Stock shall be issued a stock certificate or certificates evidencing the Shares covered by such Award registered in the name of such Participant, which certificate or certificates may contain an appropriate legend. The Committee may require a Participant who receives a certificate or certificates evidencing a Restricted Stock Award to immediately deposit such certificate or certificates, together with a stock power or other appropriate instrument of transfer, endorsed in blank by the Participant, with signatures guaranteed in accordance with the Exchange Act if required by the Committee, with the Secretary of the Company or an escrow holder as provided in the immediately following sentence. The Secretary of the Company or such escrow holder as the Committee may appoint shall retain physical custody of each certificate representing a Restricted Stock Award until the Period of Restriction and any other restrictions imposed by the Committee or under the Award Agreement with respect to the Shares evidenced by such certificate expire or shall have been removed. The foregoing to the contrary notwithstanding, the Committee may, in its discretion, provide that a Participant's ownership of Shares of Restricted Stock prior to the lapse of the Period of Restriction or any other applicable restrictions shall, in lieu of such certificates, be evidenced by a "book entry" (i.e., a computerized or manual entry) in the records of the Company or its designated agent in the name of the Participant who has received such Award. Such records of the Company or such agent shall, absent manifest error, be binding on all Participants who receive Restricted Stock Awards evidenced in such manner. The holding of Shares of Restricted Stock by the Company or such an escrow holder, or the use of book entries to evidence the ownership of Shares of Restricted Stock, in accordance with this Section 8.6, shall not affect the rights of Participants as owners of the Shares of Restricted Stock awarded to them, nor affect the restrictions applicable to such shares under the Award Agreement or the Plan, including the Period of Restriction.

8.7. Voting Rights. Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, to the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction. A Participant shall have no voting rights with respect to any Restricted Stock Units.

8.8. Dividends and Other Distributions. During the Period of Restriction, Participants holding Shares of Restricted Stock shall be credited with any cash dividends paid with respect to such Shares while they are so held, unless determined otherwise by the Committee and set forth in the Award Agreement. The Committee may apply any restrictions to such dividends that the Committee deems appropriate. Except as set forth in the Award Agreement, in the event of (a) any adjustment as provided in Section 4.2, or (b) any shares or securities are received as a dividend, or an extraordinary dividend is paid in cash, on Shares of Restricted Stock, any new or additional Shares or securities or any extraordinary dividends paid in cash received by a recipient of Restricted Stock shall be subject to the same terms and conditions, including the Period of Restriction, as relate to the original Shares of Restricted Stock.

8.9. Termination of Employment or Service. Except as otherwise provided in this Section 8.9, during the Period of Restriction, any Restricted Stock Units and/or Shares of Restricted Stock held by a Participant shall be forfeited and revert to the Company (or, if Shares of Restricted Sock were sold to the Participant, the Participant shall be required to resell such Shares to the Company at cost) upon the Participant's Termination or the failure to meet or satisfy any applicable performance goals or other terms, conditions and restrictions to the extent set forth in the applicable Award Agreement. Each applicable Award Agreement shall set forth the extent to which, if any, the Participant shall have the right to retain Restricted Stock Units and/or Shares of Restricted Stock following such Participant's Termination. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the applicable Award Agreement, need not be uniform among all such Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for, or circumstances of, such Termination.

ARTICLE IX.
PERFORMANCE UNITS, PERFORMANCE SHARES, AND CASH-BASED AWARDS

9.1. Grant of Performance Units, Performance Shares and Cash-Based Awards. Subject to the terms of the Plan, Performance Units, Performance Shares, and/or Cash-Based Awards may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee, in accordance with the Plan. A Performance Unit, Performance Share or Cash-Based Award entitles the Participant who receives such Award to receive Shares or cash upon the attainment of performance goals and/or satisfaction of other terms and conditions determined by the Committee when the Award is granted and set forth in the Award Agreement. Such entitlements of a Participant with respect to his or her outstanding Performance Unit, Performance Share or Cash-Based Award shall be reflected by a bookkeeping entry in the records of the Company, unless otherwise provided by the Award Agreement. The terms and conditions of such Awards shall be consistent with the Plan and set forth in the Award Agreement and need not be uniform among all such Awards or all Participants receiving such Awards.

9.2. Value of Performance Units, Performance Shares and Cash-Based Awards. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. Each Cash-Based Award shall have a value as shall be determined by the Committee. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units and Performance Shares and Cash-Based Awards that will be paid out to the Participant.

9.3. Earning of Performance Units, Performance Shares and Cash-Based Awards. Subject to the terms of the Plan, after the applicable Performance Period has ended, the holder of Performance Units, Performance Shares or Cash-Based Awards shall be entitled to receive payment on the number and value of Performance Units, Performance Shares or Cash-Based Awards earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals and/or other terms and conditions have been achieved or satisfied. The Committee shall determine the extent to which any such pre-established performance goals and/or other terms and conditions of a Performance Unit,

Performance Share or Cash-Based Award are attained or not attained following conclusion of the applicable Performance Period. The Committee may, in its discretion, waive any such performance goals and/or other terms and conditions relating to any such Award.

9.4. Form and Timing of Payment of Performance Units, Performance Shares and Cash-Based Awards. Payment of earned Performance Units, Performance Shares and Cash-Based Awards shall be as determined by the Committee and as set forth in the Award Agreement. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Units, Performance Shares and Cash-Based Awards in the form of cash or in Shares (or in a combination thereof) which have an aggregate Fair Market Value equal to the value of the earned Performance Units, Performance Shares or Cash-Based Awards as soon as practicable after the end of the Performance Period and following the Committee's determination of actual performance against the performance goals and/or other terms and conditions established by the Committee. Such Shares may be granted subject to any restrictions imposed by the Committee, including pursuant to Section 18.10. The determination of the Committee with respect to the form of payment of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

9.5. Rights as a Shareholder. A Participant receiving a Performance Unit, Performance Share or Cash-Based Award shall have the rights of a shareholder only as to Shares, if any, actually received by the Participant upon satisfaction or achievement of the terms and conditions of such Award and not with respect to Shares subject to the Award but not actually issued to such Participant.

9.6. Termination of Employment or Service. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain Performance Units, Performance Shares and/or Cash-Based Award following such Participant's Termination, if at all. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the applicable Award Agreement, need not be uniform among all such Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for Termination.

ARTICLE X.
OTHER STOCK-BASED AWARDS

10.1. Other Stock-Based Awards. The Committee may grant types of equity-based or equity-related Awards not otherwise described by the terms of the Plan (including the grant or offer for sale of unrestricted Shares), in such amounts (subject to Article IV) and subject to such terms and conditions, as the Committee shall determine. Such Other Stock-Based Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares and may include Awards designed to comply with or take advantage of the applicable local laws of jurisdictions in which the Participants are located.

10.2. Value of Other Stock-Based Awards. Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee. The Committee may establish performance goals in its discretion, and any such performance goals shall be set forth in the applicable Award Agreement. If the Committee exercises its discretion to

establish performance goals, the number and/or value of Other Stock-Based Awards that will be paid out to the Participant will depend on the extent to which such performance goals are met.

10.3. Payment of Other Stock-Based Awards. Payment, if any, with respect to an Other Stock-Based Award shall be made in accordance with the terms of the Award, as set forth in the Award Agreement, in cash or Shares as the Committee determines.

10.4. Termination of Employment or Service. The Committee shall determine the extent to which the Participant shall have the right to receive Other Stock-Based Awards following the Participant's Termination, if at all. Such provisions shall be determined in the sole discretion of the Committee, such provisions may be included in the applicable Award Agreement, but need not be uniform among all Other Stock-Based Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for Termination.

ARTICLE XI.
DIVIDEND EQUIVALENTS

11.1. Dividend Equivalents. Unless otherwise provided by the Committee, no adjustment shall be made in the Shares issuable or taken into account under Awards on account of cash dividends that may be paid or other rights that may be issued to the holders of Shares prior to issuance of such Shares under such Award. The Committee may grant Dividend Equivalents based on the dividends declared on Shares that are subject to any Award, including any Award the payment or settlement of which is deferred pursuant to Section 18.6. Dividend Equivalents may be credited as of the dividend payment dates, during the period between the date the Award is granted and the date the Award becomes payable or terminates or expires. Dividend Equivalents may be subject to any limitations and/or restrictions determined by the Committee. Dividend Equivalents shall be converted to cash or additional Shares by such formula and at such time, and shall be paid at such times, as may be determined by the Committee.

ARTICLE XII.
TRANSFERABILITY OF AWARDS; BENEFICIARY DESIGNATION

12.1. All Other Awards. Except as otherwise provided in Section 8.5 or Section 12.3 or a Participant's Award Agreement or otherwise determined at any time by the Committee, no Award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution; provided that the Committee may permit further transferability, on a general or a specific basis, and may impose conditions and limitations on any permitted transferability, subject to any applicable Period of Restriction. Further, except as otherwise provided in a Participant's Award Agreement or otherwise determined at any time by the Committee, or unless the Committee decides to permit further transferability, subject any applicable Period of Restriction, all Awards granted to a Participant under the Plan, and all rights with respect to such Awards, shall be exercisable or available during his or her lifetime only by or to such Participant. With respect to those Awards, if any, that are permitted to be transferred to another individual, references in the Plan to exercise or payment related to such Awards by or to the Participant shall be deemed to include, as

determined by the Committee, the Participant's permitted transferee. In the event any Award is exercised by or otherwise paid to the executors, administrators, heirs or distributees of the estate of a deceased Participant, or such a Participant's beneficiary, or the transferee of an Award, in any such case, pursuant to the terms and conditions of the Plan and the applicable Agreement and in accordance with such terms and conditions as may be specified from time to time by the Committee, the Company shall be under no obligation to issue Shares thereunder unless and until the Company is satisfied, as determined in the discretion of the Committee, that the person or persons exercising such Award, or to receive such payment, are the duly appointed legal representative of the deceased Participant's estate or the proper legatees or distributees thereof or the named beneficiary of such Participant, or the valid transferee of such Award, as applicable. Any purported assignment, transfer or encumbrance of an Award that does not comply with this Section 12.1 shall be void and unenforceable against the Company.

12.2. Beneficiary Designation. Each Participant may, from time to time, name any beneficiary or beneficiaries who shall be permitted to exercise his or her Option or SAR or to whom any benefit under the Plan is to be paid in case of the Participant's death before he or she fully exercises his or her Option or SAR or receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such beneficiary designation, a Participant's unexercised Option or SAR, or amounts due but remaining unpaid to such Participant, at the Participant's death, shall be exercised or paid as designated by the Participant by will or by the laws of descent and distribution.

ARTICLE XIII.
RIGHTS OF PARTICIPANTS

13.1. Rights or Claims. No individual shall have any rights or claims under the Plan except in accordance with the provisions of the Plan and any applicable Award Agreement. The grant of an Award under the Plan shall not confer any rights upon the Participant holding such Award other than such terms, and subject to such conditions, as are specified in the Plan as being applicable to such type of Award, or to all Awards, or as are expressly set forth in the Award Agreement evidencing such Award. Without limiting the generality of the foregoing, nothing contained in the Plan or in any Award Agreement shall be deemed to:

(a) Give any Employee or Non-Employee Director the right to be retained in the service of the Company, an Affiliate and/or a Subsidiary, whether in any particular position, at any particular rate of compensation, for any particular period of time or otherwise;

(b) Restrict in any way the right of the Company, an Affiliate and/or a Subsidiary to terminate, change or modify any Employee's employment or any Non-Employee Director's service as a Director at any time with or without Cause;

(c) Confer on any Consultant any right of continued relationship with the Company, an Affiliate and/or a Subsidiary, or alter any relationship between them, including any

right of the Company or an Affiliate or Subsidiary to terminate, change or modify its relationship with a Consultant;

(d) Give any Employee, Non-Employee Director or Consultant the right to receive any bonus, whether payable in cash or in Shares, or in any combination thereof, from the Company, an Affiliate and/or a Subsidiary, nor be construed as limiting in any way the right of the Company, an Affiliate and/or a Subsidiary to determine, in its sole discretion, whether or not it shall pay any Employee, Non-Employee Director or Consultant bonuses, and, if so paid, the amount thereof and the manner of such payment; or

(e) Give any Participant any rights whatsoever with respect to an Award except as specifically provided in the Plan and the Award Agreement.

13.2. Adoption of the Plan. The adoption of the Plan shall not be deemed to give any Employee, Non-Employee Director or Consultant or any other individual any right to be selected as a Participant or to be granted an Award, or, having been so selected, to be selected to receive a future Award.

13.3. Vesting. Notwithstanding any other provision of the Plan, a Participant's right or entitlement to exercise or otherwise vest in any Award not exercisable or vested at the time of grant shall only result from continued services as a Non-Employee Director or Consultant or continued employment, as the case may be, with the Company or any Subsidiary or Affiliate, or satisfaction of any other performance goals or other conditions or restrictions applicable, by its terms, to such Award.

13.4. No Effects on Benefits. Payments and other compensation received by a Participant under an Award are not part of such Participant's normal or expected compensation or salary for any purpose, including calculating termination, indemnity, severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments under any laws, plans, contracts, arrangements or otherwise. No claim or entitlement to compensation or damages arises from the termination of the Plan or diminution in value of any Award or Shares purchased or otherwise received under the Plan.

13.5. One or More Types of Awards. A particular type of Award may be granted to a Participant either alone or in addition to other Awards under the Plan.

ARTICLE XIV.
CHANGE OF CONTROL

14.1. Treatment of Outstanding Awards. In the event of a Change of Control, unless otherwise specifically prohibited by any applicable laws, rules or regulations or otherwise provided in any applicable Award Agreement, as in effect prior to the occurrence of the Change of Control, specifically with respect to a Change of Control:

(a) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of the Award Agreement or by resolution

adopted prior to the occurrence of such Change of Control, that any Options, SARs and Other Stock-Based Awards (if applicable) which are outstanding shall become exercisable as determined by the Committee, notwithstanding anything to the contrary in the Award Agreement.

(b) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of the Award Agreement or by resolution adopted prior to the occurrence of such Change of Control, that restrictions, performance goals or other conditions applicable to Restricted Stock Units, Shares of Restricted Stock and Other Stock-Based Awards previously awarded to Participants shall be canceled or deemed achieved, the Period of Restriction applicable thereto shall terminate, and restrictions on transfer, sale, assignment, pledge or other disposition applicable to any such Shares of Restricted Stock shall lapse, in each case, to the extent provided by the Committee, notwithstanding anything to the contrary in the Award Agreement.

(c) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of the Award Agreement or by resolution adopted prior to the occurrence of such Change of Control, that any Awards which are outstanding shall, in whole or in part, immediately become vested and nonforfeitable.

(d) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of the Award Agreement or by resolution adopted prior to the occurrence of such Change of Control, that the target payment opportunities attainable under any outstanding Awards of Performance Units, Performance Shares, Cash-Based Awards and other Awards shall be deemed to have been fully or partially earned for any Performance Period(s), as determined by the Committee, immediately prior to the effective date of the Change of Control.

(e) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of the Award Agreement applicable to any Award or by resolution adopted prior to the occurrence of such Change of Control, that any Award the payment or settlement of which was deferred under Section 18.6 or otherwise may be paid or distributed immediately prior to the Change of Control, except as otherwise provided by the Committee in accordance with Section 16.1(f).

(f) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of the Award Agreement applicable to any Award or by resolution adopted prior to the occurrence of the Change of Control, that any outstanding Award shall be adjusted by substituting for each Share subject to such Award immediately prior to the transaction resulting in the Change of Control the consideration (whether stock or other securities of the surviving corporation or any successor corporation to the Company, or a parent or subsidiary thereof, or that may be issuable by another corporation that is a party to the transaction resulting in the Change of Control) received in such transaction by holders of Shares for each Share held on the closing or effective date of such transaction, in which event the aggregate Option Price or Grant Price, as applicable, of the Award shall remain the same; provided, however, that if such consideration received in such transaction is not solely stock of a successor, surviving or other corporation, the Committee may provide for the

consideration to be received upon exercise or payment of an Award, for each Share subject to such Award, to be solely stock or other securities of the successor, surviving or other corporation, as applicable, equal in fair market value, as determined by the Committee, to the per-Share consideration received by holders of Shares in such transaction.

(g) In its discretion, and on such terms and conditions as it deems appropriate, the Committee may provide, either by the terms of the Award Agreement applicable to any Award or by resolution adopted prior to the occurrence of the Change of Control, that any outstanding Award (or portion thereof) shall be converted into a right to receive cash, on or as soon as practicable following the closing date or expiration date of the transaction resulting in the Change of Control in an amount equal to the highest value of the consideration to be received in connection with such transaction for one Share, or, if higher, the highest Fair Market Value of a Share during the thirty (30) consecutive business days immediately prior to the closing date or expiration date of such transaction, less the per-Share Option Price, Grant Price or outstanding unpaid purchase price, as applicable to the Award, multiplied by the number of Shares subject to such Award, or the applicable portion thereof.

(h) The Committee may, in its discretion, provide that an Award can or cannot be exercised after, or will otherwise terminate or not terminate as of, a Change of Control.

14.2. No Implied Rights; Other Limitations. No Participant shall have any right to prevent the consummation of any of the acts described in Section 4.2 or 14.1 affecting the number of Shares available to, or other entitlement of, such Participant under the Plan or such Participant's Award. Any actions or determinations of the Committee under this Article XVI need not be uniform as to all outstanding Awards, nor treat all Participants identically. Notwithstanding the adjustments described in Section 14.1, in no event may any Option or SAR be exercised after ten (10) years from the date it was originally granted.

ARTICLE XV.
AMENDMENT, MODIFICATION, AND TERMINATION

15.1. Amendment, Modification, and Termination. The Board may, at any time and with or without prior notice, amend, alter, suspend, or terminate the Plan, and the Committee may, to the extent permitted by the Plan, amend the terms of any Award theretofore granted, including any Award Agreement, in each case, retroactively or prospectively; provided, however, that no such amendment, alteration, suspension, or termination of the Plan shall be made which, without first obtaining approval of the shareholders of the Company (where such approval is necessary to satisfy any applicable law, regulation or rule (including the applicable regulations and rules of the SEC and any national securities exchange)), would:

(a) except as is provided in Section 4.2, increase the maximum number of Shares which may be sold or awarded under the Plan;

(b) except as is provided in Section 4.2, decrease the minimum Option Price or Grant Price requirements of Section 7.2, respectively;

(c) change the class of persons eligible to receive Awards under the Plan;

(d) extend the duration of the Plan or the period during which Options or SARs may be exercised under Section 6.4 or 7.6, as applicable; or

(e) otherwise require shareholder approval to comply with any applicable law, regulation or rule (including the applicable regulations and rules of the SEC and any national securities exchange).

In addition, (A) no such amendment, alteration, suspension or termination of the Plan or any Award theretofore granted, including any Award Agreement, shall be made which would materially impair the previously accrued rights of a Participant under any outstanding Award without the written consent of such Participant, provided, however, that the Board may amend or alter the Plan and the Committee may amend or alter any Award, including any Agreement, either retroactively or prospectively, without the consent of the applicable Participant, (x) so as to preserve or come within any exemptions from liability under Section 16(b) of the Exchange Act, pursuant to the rules and releases promulgated by the SEC (including Rule 16b-3), or (y) if the Board or the Committee determines in its discretion that such amendment or alteration either (I) is required or advisable for the Company, the Plan or the Award to satisfy, comply with or meet the requirements of any law, regulation, rule or accounting standard or (II) is not reasonably likely to significantly diminish the benefits provided under such Award, or that such diminishment has been or will be adequately compensated, and (B) except as is provided in Section 4.2, but notwithstanding any other provisions of the Plan, neither the Board nor the Committee may take any action: (1) to amend the terms of an outstanding Option or SAR to reduce the Option Price or Grant Price thereof, cancel an Option or SAR and replace it with a new Option or SAR with a lower Option Price or Grant Price, or that has an economic effect that is the same as any such reduction or cancellation; or (2) to cancel an outstanding Option or SAR having an Option Price or Grant Price above the then-current Fair Market Value of the Shares in exchange for the grant of another type of Award.

ARTICLE XVI.
TAX WITHHOLDING AND OTHER TAX MATTERS

16.1. Tax Withholding. The Company and/or any Subsidiary or Affiliate are authorized to withhold from any Award granted or payment due under the Plan the amount of all taxes due in respect of such Award or payment and take any such other action as may be necessary or appropriate, as determined by the Committee, to satisfy all obligations for the payment of such taxes. The recipient of any payment or distribution under the Plan shall make arrangements satisfactory to the Company, as determined in the Committee's discretion, for the satisfaction of any tax obligations that arise by reason of any such payment or distribution. The Company shall not be required to make any payment or distribution under or relating to the Plan or any Award until such obligations are satisfied or such arrangements are made, as determined by the Committee in its discretion.

16.2. Withholding or Tendering Shares. Without limiting the generality of Section 16.1, the Committee may in its discretion permit a Participant to satisfy or arrange to satisfy, in whole or in part, the tax obligations incident to an Award by: (a) electing to have the Company withhold Shares or other property otherwise deliverable to such Participant pursuant to his or her

Award (provided, however, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy required withholding obligations using the minimum statutory withholding rates for tax purposes, including payroll taxes, that are applicable to supplemental taxable income) and/or (b) tendering to the Company Shares owned by such Participant (or by such Participant and his or her spouse jointly) and purchased or held for the requisite period of time as may be required to avoid the Company's or the Affiliates' or Subsidiaries' incurring an adverse accounting charge, based, in each case, on the Fair Market Value of the Shares on the payment date as determined by the Committee. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

16.3. Restrictions. The satisfaction of tax obligations pursuant to this Article XVI shall be subject to such restrictions as the Committee may impose, including any restrictions required by applicable law or the rules and regulations of the SEC, and shall be construed consistent with an intent to comply with any such applicable laws, rule and regulations.

ARTICLE XVII.
LIMITS OF LIABILITY; INDEMNIFICATION

17.1. Limits of Liability.

(a) Any liability of the Company or a Subsidiary or Affiliate to any Participant with respect to any Award shall be based solely upon contractual obligations created by the Plan and the Award Agreement.

(b) None of the Company, any Subsidiary, any Affiliate, any member of the Board or the Committee or any other person participating in any determination of any question under the Plan, or in the interpretation, administration or application of the Plan, shall have any liability, in the absence of bad faith, to any party for any action taken or not taken in connection with the Plan, except as may expressly be provided by statute.

(c) Each member of the Committee, while serving as such, shall be considered to be acting in his or her capacity as a director of the Company. Members of the Board of Directors and members of the Committee acting under the Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross negligence or willful misconduct in the performance of their duties.

(d) The Company shall not be liable to a Participant or any other person as to: (i) the non-issuance of Shares as to which the Company has been unable to obtain from any regulatory body having relevant jurisdiction the authority deemed by the Committee or the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, and (ii) any tax consequence expected, but not realized, by any Participant or other person due to the receipt, exercise or settlement of any Option or other Award.

17.2. Indemnification. Subject to the requirements of applicable law, each individual who is or shall have been a member of the Committee or of the Board, or an officer of the Company to whom authority was delegated in accordance with Article III, shall be indemnified

and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of the individual's own willful misconduct or except as provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such individual may be entitled under the Company's Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify or hold harmless such individual.

ARTICLE XVIII.
MISCELLANEOUS

18.1. Drafting Context. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural. The words "Article," "Section," and "paragraph" herein shall refer to provisions of the Plan, unless expressly indicated otherwise. The words "include," "includes," and "including" herein shall be deemed to be followed by "without limitation" whether or not they are in fact followed by such words or words of similar import, unless the context otherwise requires.

18.2. Forfeiture Events.

(a) Notwithstanding any provision of the Plan to the contrary, the Committee shall have the authority to determine (and may so provide in any Agreement) that a Participant's (including his or her estate's, beneficiary's or transferee's) rights (including the right to exercise any Option or SAR), payments and benefits with respect to any Award shall be subject to reduction, cancellation, forfeiture or recoupment in the event of the Participant's Termination for Cause or due to voluntary resignation; serious misconduct; violation of the Company's or a Subsidiary's or Affiliate's policies; breach of fiduciary duty; unauthorized disclosure of any trade secret or confidential information of the Company or a Subsidiary or Affiliate; breach of applicable noncompetition, nonsolicitation, confidentiality or other restrictive covenants; or other conduct or activity that is in competition with the business of the Company or any Subsidiary or Affiliate, or otherwise detrimental to the business, reputation or interests of the Company and/or any Subsidiary or Affiliate; or upon the occurrence of certain events specified in the applicable Award Agreement (in any such case, whether or not the Participant is then an Employee, Non-Employee Director or Consultant). The determination of whether a Participant's conduct, activities or circumstances are described in the immediately preceding sentence shall be made by the Committee in its good faith discretion, and pending any such determination, the Committee shall have the authority to suspend the exercise, payment, delivery or settlement of all or any portion of such Participant's outstanding Awards pending an investigation of the matter.

(b) If the Company is required to prepare an accounting restatement (x) due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, if a Participant knowingly or grossly negligently engaged in such misconduct, or knowingly or grossly negligently failed to prevent such misconduct, or if a Participant is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, the Participant shall reimburse the Company the amount of any payment in settlement of an Award earned or accrued during the twelve- (12-) month period following the first public issuance or filing with the SEC (whichever just occurred) of the financial document embodying such financial reporting requirement, and (y) the Committee may in its discretion provide that if the amount earned under any Participant's Award is reduced by such restatement, such Participant shall reimburse the Company the amount of any such reduction previously paid in settlement of such Award.

18.3. Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

18.4. Transfer, Leave of Absence. The Committee shall have the discretion to determine the effects upon any Award, upon an individual's status as an Employee, Non-Employee Director or Consultant for purposes of the Plan (including whether a Participant shall be deemed to have experienced a Termination or other change in status) and upon the exercisability, vesting, termination or expiration of any Award in the case of: (a) any Participant who is employed by an entity that ceases to be an Affiliate or Subsidiary (whether due to a spin-off or otherwise), (b) any transfer of a Participant between locations of employment with the Company, an Affiliate, and/or Subsidiary or between the Company, an Affiliate or Subsidiary or between Affiliates or Subsidiaries, (c) any leave of absence of a Participant, (d) any change in a Participant's status from an Employee to a Consultant or a Non-Employee Director, or vice versa, (e) any increase or decrease in the scope of engagement of a Participant; and (f) upon approval by the Committee, any Employee who experiences a Termination but becomes employed by a partnership, joint venture, corporation or other entity not meeting the requirements of an Affiliate or Subsidiary.

18.5. Exercise and Payment of Awards. An Award shall be deemed exercised or claimed when the Secretary of the Company or any other Company official or other person designated by the Committee for such purpose receives appropriate written notice from a Participant, in form acceptable to the Committee, together with payment of the applicable Option Price, Grant Price or other purchase price, if any, and compliance with Article XVI, in accordance with the Plan and such Participant's Award Agreement.

18.6. Deferrals. To the extent provided in the Award Agreement, the Committee may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the lapse or waiver of the Period of Restriction or other restrictions with respect to Restricted Stock or the payment or satisfaction of Restricted Stock Units, Performance Units, Performance Shares, Cash-Based Awards or Other Stock-Based Awards. If any such deferral election is required or permitted, (a) such deferral shall represent an unfunded and unsecured obligation of the Company and shall not confer the rights of a shareholder unless and until Shares are issued

thereunder; (b) the number of Shares subject to such deferral shall, until settlement thereof, be subject to adjustment pursuant to Section 4.2; and (c) the Committee shall establish rules and procedures for such deferrals and payment or settlement thereof, which may be in cash, Shares or any combination thereof, and such deferrals may be governed by the terms and conditions of any deferred compensation plan of the Company or Affiliate specified by the Committee for such purpose.

18.7. Loans. The Company may, in the discretion of the Committee, extend one or more loans to Participants in connection with the exercise or receipt of an Award granted to any such Participant; provided, however, that the Company shall not extend loans to any Participant if prohibited by law or the rules of any stock exchange or quotation system on which the Company's securities are listed. The terms and conditions of any such loan shall be established by the Committee.

18.8. No Effect on Other Plans. Neither the adoption of the Plan nor anything contained herein shall affect any other compensation or incentive plans or arrangements of the Company or any Subsidiary or Affiliate, or prevent or limit the right of the Company or any Subsidiary or Affiliate to establish any other forms of incentives or compensation for their directors, officers, eligible employees or consultants or grant or assume options or other rights otherwise than under the Plan.

18.9. Section 16 of Exchange Act. Unless otherwise stated in the Award Agreement, notwithstanding any other provision of the Plan, any Award granted to an Insider shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3) that are requirements for the application of such exemptive rule, and the Plan and the Award Agreement shall be deemed amended to the extent necessary to conform to such limitations.

18.10. Requirements of Law; Limitations on Awards.

(a) The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(b) If at any time the Committee shall determine, in its discretion, that the listing, registration and/or qualification of Shares upon any securities exchange or under any law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the sale or purchase of Shares hereunder, the Company shall have no obligation to allow the grant, exercise or payment of any Award, or to issue or deliver evidence of title for Shares issued under the Plan, in whole or in part, unless and until such listing, registration, qualification, consent and/or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Committee.

(c) If at any time counsel to the Company shall be of the opinion that any sale or delivery of Shares pursuant to an Award is or may be in the circumstances unlawful or result in the imposition of excise taxes on the Company or any Subsidiary or Affiliate under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation

to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act, or otherwise with respect to Shares or Awards and the right to exercise or payment of any Option or Award shall be suspended until, in the opinion of such counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Company or any Subsidiary or Affiliate.

(d) Upon termination of any period of suspension under this Section 18.10, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all Shares available before such suspension and as to the Shares which would otherwise have become available during the period of such suspension, but no suspension shall extend the term of any Award.

(e) The Committee may require each person receiving Shares in connection with any Award under the Plan to represent and agree with the Company in writing that such person is acquiring such Shares for investment without a view to the distribution thereof, and/or provide such other representations and agreements as the Committee may prescribe. The Committee, in its absolute discretion, may impose such restrictions on the ownership and transferability of the Shares purchasable or otherwise receivable by any person under any Award as it deems appropriate. Any such restrictions shall be set forth in the applicable Award Agreement, and the certificates evidencing such shares may include any legend that the Committee deems appropriate to reflect any such restrictions.

(f) An Award and any Shares received upon the exercise or payment of an Award shall be subject to such other transfer and/or ownership restrictions and/or legending requirements as the Committee may establish in its discretion and may be referred to on the certificates evidencing such Shares, including restrictions under applicable securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

18.11. Participants Deemed to Accept Plan. By accepting any benefit under the Plan, each Participant and each person claiming under or through any such Participant shall be conclusively deemed to have indicated their acceptance and ratification of, and consent to, all of the terms and conditions of the Plan and any action taken under the Plan by the Board, the Committee or the Company, in any case in accordance with the terms and conditions of the Plan.

18.12. Governing Law. The Plan and, except as provided below or in an applicable subplan, each Award Agreement to a Participant shall be governed by the laws of the State of Israel, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, Participants are deemed to submit to the exclusive jurisdiction and venue of the courts in Tel-Aviv, Israel, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

18.13. Plan Unfunded. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the issuance of Shares or the payment of cash upon exercise or payment of any Award. Proceeds

from the sale of Shares pursuant to Options or other Awards granted under the Plan shall constitute general funds of the Company.

18.14. Administration Costs. The Company shall bear all costs and expenses incurred in administering the Plan, including expenses of issuing Shares pursuant to any Options or other Awards granted hereunder.

18.15. Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may nevertheless be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

18.16. No Fractional Shares. An Option or other Award shall not be exercisable with respect to a fractional Share or the lesser of fifty (50) shares or the full number of Shares then subject to the Option or other Award. No fractional Shares shall be issued upon the exercise or payment of an Option or other Award and any such fractions shall be rounded to the nearest whole number.

18.17. Participants. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws or practices of countries in which the Company, any Affiliate, and/or any Subsidiary operates or has Employees, Non-Employee Directors or Consultants, the Committee, in its sole discretion, shall have the power and authority to:

(a) Determine which Affiliates and Subsidiaries shall be covered by the Plan;

(b) Determine which Employees, Non-Employee Directors and/or Consultants are eligible to participate in the Plan;

(c) Grant Awards (including substitutes for Awards), and modify the terms and conditions of any Awards, on such terms and conditions as the Committee determines necessary or appropriate to permit participation in the Plan by individuals otherwise eligible to so participate, or otherwise to comply with applicable laws or conform to applicable requirements or practices of the applicable jurisdictions;

(d) Establish subplans and adopt or modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 18.18 by the Committee shall be attached to the Plan as appendices; and

(e) Take any action, before or after an Award is made, that the Committee, in its discretion, deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any applicable law.

* * *

ALLOT COMMUNICATIONS LTD.

APPENDIX A — ISRAEL

TO THE 2006 INCENTIVE COMPENSATION PLAN

1. GENERAL

1.1. This appendix (the: "**Appendix**") shall apply only to Israeli Participants who are residents of the state of Israel or those who are deemed to be residents of the state of Israel for the payment of tax. The provisions specified hereunder shall form an integral part of the 2006 Incentive Compensation Plan of Allot Communications Ltd. (hereinafter: the **"Plan",** the **"Company"**), which applies to the issuance of Awards to employees, directors, consultants and service provides of the Company or its Affiliates.

1.2 This Appendix is effective with respect to Awards granted as of January 1, 2003 and shall comply with Amendment no. 132 of the Israeli Tax Ordinance.

1.3. This Appendix is to be read as a continuation of the Plan and only modifies Awards granted to Israeli Participants so that they comply with the requirements set by the Israeli law in general, and in particular with the provisions of Section 102 (as specified herein), as may be amended or replaced from time to time. For the avoidance of doubt, this Appendix does not add to or modify the Plan in respect of any other category of Participants.

1.4. The Plan and this Appendix are complimentary to each other and shall be deemed as one. Subject to section 1.3 above, in any case of contradiction, whether explicit or implied, between any definitions and/or provisions of this Appendix and the Plan, the provisions set out in this Appendix shall prevail.

1.5. Any capitalized terms not specifically defined in this Appendix shall be construed according to the interpretation given to it in the Plan.

2. DEFINITIONS

2.1 "**Affiliate**" means any "employing company" within the meaning of Section 102(a) of the Ordinance.

2.2 "**Approved 102 Award**" means an Award granted pursuant to Section 102(b) of the Ordinance and held in trust by a Trustee for the benefit of the Israeli Participant.

2.3 **"Award"** notwithstanding Section 2.3 of the Plan, for the purpose of this Appendix, Award means an Award to purchase one or more Shares of the Company or Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards, and Other Stock-Based Awards.

2.4 "**Capital Gain Award (CGA)**" means an Approved 102 Award elected and designated by the Company to qualify under the capital gain tax treatment in accordance with the provisions of Section 102(b)(2) of the Ordinance.

2.5 "**Controlling Shareholder**" shall have the meaning ascribed to it in Section 32(9) of the Ordinance.

2.6 "**Employee"** means an Israeli Participant who is employed by the Company or its Affiliates, including an individual who is serving as a director or an office holder, but excluding any Controlling Shareholder.

2.7 "**Israeli Participant**" means a person who receives or holds an Award under the Plan and this Appendix.

2.8 "**ITA"** means the Israeli Tax Authorities.

2.9 "**Ordinary Income Award (OIA)**" means an Approved 102 Award elected and designated by the Company to qualify under the ordinary income tax treatment in accordance with the provisions of Section 102(b)(1) of the Ordinance.

2.10 **"102 Award"** means any Award granted to Employees pursuant to Section 102 of the Ordinance.

2.11 **"3(i) Award"** means an Award granted pursuant to Section 3(i) of the Ordinance to any person who is a Non- Employee.

2.12 **"Israeli Award Agreement"** notwithstanding Section 2.4 of the Plan, for the purpose of this Appendix, Israeli Award Agreement shall mean a written agreement entered into and signed by the Company and an Israeli Participant that sets out the terms and conditions of an Award.

2.13 **"Non-Employee"** means an Israeli Participant who is a consultant, adviser, service provider, Controlling Shareholder or any other person who is not an Employee.

2.14 **"Ordinance"** means the Israeli Income Tax Ordinance [New Version] 1961 as now in effect or as hereafter amended.

2.15 "**Ordinary Share**" means an ordinary share of, par value NIS 0.10 of the Company.

2.16 **"Section 102"** means section 102 of the Ordinance and any regulations, rules, orders or procedures promulgated thereunder as now in effect or as hereafter amended.

2.17 **"Trustee"** means any person appointed by the Company to serve as a trustee and approved by the ITA, all in accordance with the provisions of Section 102(a) of the Ordinance.

2.18 "**Unapproved 102 Award**" means an Award granted pursuant to Section 102(c) of the Ordinance and not held in trust by a Trustee.

3. ISSUANCE OF AWARDS

3.1 Notwithstanding Article V of the Plan and in addition thereto, any Israeli Participants eligible for participation in the Plan and this Appendix as Israeli Participants shall include any Employees and/or Non-Employees of the Company or of any of the Company's Affiliate; *provided, however*, that (i) Employees may only be granted 102 Awards; and (ii) Non-Employees and/or Controlling Shareholders may only be granted 3(i) Awards.

3.2 The Company may designate Awards granted to Employees pursuant to Section 102 as Unapproved 102 Awards or Approved 102 Awards.

3.3 The grant of Approved 102 Awards shall be made under this Appendix, and shall be conditioned upon the approval of this Appendix by the ITA.

3.4 Approved 102 Awards may either be classified as Capital Gain Awards ("**CGAs**") or Ordinary Income Awards ("**OIAs**").

3.5 No Approved 102 Awards may be granted under this Appendix to any eligible Employee, unless and until, the Company's election of the type of Approved 102 Awards as CGA or OIA granted to Employees (the "**Election**"), is appropriately filed with the ITA. Such Election shall become effective beginning the first date of grant of an Approved 102 Award under this Appendix and shall remain in effect until the end of the year following the year during which the Company first granted Approved 102 Awards. The Election shall obligate the Company to grant *only* the type of Approved 102 Award it has elected, and shall apply to all Israeli Participants who were granted Approved 102 Awards during the period indicated herein, all in accordance with the provisions of Section 102(g) of the Ordinance. For the avoidance of doubt, such Election shall not prevent the Company from granting Unapproved 102 Awards simultaneously.

3.6 All Approved 102 Awards must be held in trust by a Trustee, as described in Section 4 below.

3.7 For the avoidance of doubt, the designation of Unapproved 102 Awards and Approved 102 Awards shall be subject to the terms and conditions set forth in Section 102.

4. TRUSTEE

4.1 Approved 102 Awards which shall be granted under this Appendix and/or any Ordinary Shares allocated or issued upon exercise or vesting of such Approved 102 Awards and/or other shares received subsequently following any realization of rights, including without limitation bonus shares, shall be allocated or issued to the Trustee and held for the benefit of the Employee for such period of time as required by Section 102 (the "**Holding Period**"). In case the requirements for Approved 102 Awards are not met, then the Approved 102 Awards shall be regarded as Unapproved 102 Awards, all in accordance with the provisions of Section 102.

4.2 Notwithstanding anything to the contrary, the Trustee shall not release any Ordinary Shares allocated or issued upon exercise or vesting of Approved 102 Awards prior to the full payment of the Employee's tax liabilities, if any, arising from Approved 102 Awards which were granted to him/her and/or any Ordinary Shares allocated or issued upon exercise or vesting of such Awards.

4.3 With respect to any Approved 102 Award, subject to the provisions of Section 102, an Israeli Participant shall not sell or release from trust any Share received upon the exercise or vesting of an Approved 102 Award and/or any share received subsequently following any realization of rights, including without limitation, bonus shares, until the lapse of the Holding Period required under Section 102. Notwithstanding the above, if any such sale or release occurs during the Holding Period, the sanctions under Section 102 shall apply to and shall be borne solely by such Israeli Participant.

4.4 Upon receipt of any Approved 102 Award, the Employee will sign an undertaking to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation with this Appendix, or any Approved 102 Award or Ordinary Share granted to him thereunder.

5. THE AWARDS

Notwithstanding anything to the contrary in the Plan and in addition thereto, the terms and conditions upon which the Awards shall be issued and exercised or vest, as applicable, shall be as specified in the Israeli Award Agreement to be executed pursuant to the Plan and to this Appendix. Each Israeli Award Agreement shall state, inter alia, the number of Ordinary Shares to which the Award relates, the type of Award granted thereunder (whether a CGA, OIA, Unapproved 102 Award or a 3(i) Award), and any applicable vesting provisions and exercise price that may be payable.

6. FAIR MARKET VALUE

Without derogating from Section 2.18 of the Plan and solely for the purpose of determining the tax liability pursuant to Section 102(b)(3) of the Ordinance, if at the date of grant of any CGA, the Company's Shares are listed on any established stock exchange or a national market system or if the Company's Shares will be registered for trading within ninety (90) days following the date of grant of the CGAs, the fair market value of the Ordinary Shares at the date of grant shall be determined in accordance with the average value of the Company's Shares on the thirty (30) trading days preceding the date of grant or on the thirty (30) trading days following the date of registration for trading, as the case may be.

7. EXERCISE OF AWARDS THAT ARE OPTIONS TO PURCHASE ORDINARY SHARES

Awards that represent options to purchase Ordinary Shares shall be exercised by the Israeli Participant by giving a written or electronic notice to the Company and/or to any third party designated by the Company (the "**Representative**"), in such form and method as may be determined by the Company and, when applicable, by the Trustee, in accordance with the requirements of Section 102, which exercise shall be effective upon receipt of such notice by the Company and/or the Representative and the payment of the exercise price for the number of Ordinary Shares with respect to which the Award is being exercised, at the Company's or the Representative's principal office. The notice shall specify the number of Ordinary Shares with respect to which the Award is being exercised.

8. ASSIGNABILITY AND SALE OF AWARDS

8.1. Notwithstanding any other provision of the Plan, no Award or any right with respect thereto, or purchasable hereunder, whether fully paid or not, shall be assignable, transferable or given as collateral or any right with respect to them given to any third party whatsoever, and during the lifetime of the Israeli Participant each and all of such Israeli Participant's rights with respect to an Award shall belong only to the Israeli Participant.

Any such action made directly or indirectly, for an immediate validation or for a future one, shall be void.

8.2 As long as Awards or Ordinary Shares purchased or issued hereunder are held by the Trustee on behalf of the Israeli Participant, all rights of the Israeli Participant over the Shares are personal, can not be transferred, assigned, pledged or mortgaged, other than by will or laws of descent and distribution.

9. INTEGRATION OF SECTION 102 AND TAX ASSESSING OFFICER'S PERMIT

9.1. With regards to Approved 102 Awards, the provisions of the Plan and/or the Appendix and/or the Israeli Award Agreement shall be subject to the provisions of Section 102 and the Tax Assessing Officer's permit and/or any pre-rulings obtained by the ITA, and the said provisions, permit and/or pre-rulings shall be deemed an integral part of the Plan and of the Appendix and of the Israeli Award Agreement.

9.2. Any provision of Section 102 and/or the said permit and/or pre-rulings which is necessary in order to receive and/or to keep any tax benefit pursuant to Section 102, which is not expressly specified in the Plan or the Appendix or the Israeli Award Agreement, shall be considered binding upon the Company and the Israeli Participants.

10. DIVIDEND

Notwithstanding anything to the contrary in the Plan and solely for the purpose of Awards granted under this Appendix, with respect to all Ordinary Shares (but excluding, for avoidance of any doubt, any unexercised Awards) allocated or issued upon the exercise or vesting of Awards purchased or received, as applicable, by the Israeli Participant and held by the Israeli Participant or by the Trustee, as the case may be, the Israeli Participant shall be entitled to receive dividends, if any, in accordance with the quantity of such Shares, subject to the provisions of the Company's Articles of Association (and all amendments thereto) and subject to any applicable taxation on distribution of dividends, and when applicable subject to the provisions of Section 102.

11. TAX CONSEQUENCES

11.1 Notwithstanding anything to the contrary in Article XVI of the Plan and solely for the purpose of Awards granted under this Appendix, any tax consequences arising from the grant, exercise or vesting of any Award, from the payment for Ordinary Shares covered thereby or from any other event or act (of the Company, and/or its Affiliates, and the Trustee or the Israeli Participant), hereunder, shall be borne solely by the Israeli Participant. The Company and/or its Affiliates, and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Israeli Participant shall agree to indemnify the Company and/or its Affiliates and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Israeli Participant.

11.2 The Company and/or, when applicable, the Trustee shall not be required to release any share certificate to a Israeli Participant until all required payments have been fully made.

11.3 With respect to Unapproved 102 Award, if the Israeli Participant ceases to be employed by the Company or any Affiliate, the Israeli Participant shall extend to the Company and/or its Affiliate a security or guarantee for the payment of tax due at the time of sale of Shares, all in accordance with the provisions of Section 102 and the rules, regulation or orders promulgated thereunder.

12. TERM OF PLAN AND APPENDIX

Notwithstanding anything to the contrary in Article XV of the Plan and in addition thereto, **t**he Company shall obtain all approvals for the adoption of this Appendix or for any amendment to this Appendix as are necessary to comply with (i) any applicable law, including without limitation U.S. securities laws and the securities laws of any other jurisdiction applicable to Awards granted to Israeli Participant under this Appendix, (ii) any national securities exchange on which the Shares are traded, and (iii) any applicable rules and regulations promulgated by the U.S. Securities and Exchange Commission.

13. GOVERNING LAW & JURISDICTION

This Appendix shall be governed by and construed and enforced in accordance with the laws of the State of Israel applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws. The competent courts in Tel Aviv shall have sole jurisdiction in any matters pertaining to this Appendix.

* * *

ALLOT COMMUNICATIONS LTD.

APPENDIX B – UNITED STATES

TO THE 2006 INCENTIVE COMPENSATION PLAN

1. SPECIAL PROVISIONS FOR U.S. TAXPAYERS

1.1. This Appendix (the "Appendix") to the Allot Communications Ltd. 2006 Incentive Compensation Plan (the "Plan") was adopted by the Board on October 29, 2006. The Appendix shall become effective on the Effective Date, provided that the Appendix is approved by the holders of a majority of the outstanding Shares which are present and voted at a meeting, or by written consent in lieu of a meeting, which approval must occur within the period ending twelve (12) months after the date the Appendix is adopted by the Board. The effectiveness of any Awards granted pursuant to this Appendix prior to such shareholder approval shall be specifically subject to and conditioned upon, and no such Award shall be vested or exercisable until, such shareholder approval. If the Appendix is not so approved by the Company's shareholders or the Company's initial public offering of Shares does not occur prior to December 31, 2006, the Appendix shall not become effective, and shall terminate immediately, and any Awards previously granted pursuant to the Appendix shall thereupon be automatically canceled and deemed to have been null and void ab initio.

1.2. The provisions specified hereunder apply only to persons who are subject to U.S. federal income tax (any such person, a "U.S. Taxpayer").

1.3. This Appendix is to be read as a continuation of the Plan and only applies with respect to Options and other Awards granted under the Plan to U.S. Taxpayers. The purpose of this Appendix is to establish certain rules and limitations applicable to Options and other Awards that may be granted or issued under the Plan to U.S. Taxpayers from time to time, in compliance with applicable tax, securities and other applicable laws currently in force. For the avoidance of doubt, this Appendix does not add to or modify the Plan in respect of any other category of Israeli Participants.

1.4. The Plan and this Appendix are complimentary to each other and shall be deemed as one. Subject to section 1.3 above, in any case of contradiction, whether explicit or implied, between any definitions and/or provisions of this Appendix and the Plan, the provisions set out in this Appendix shall prevail.

2. DEFINITIONS

Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the Plan. The following additional definitions will apply to grants made pursuant to this Appendix, provided, however, that to the extent that such definitions are provided for in the Plan and this Appendix, the definitions in this Appendix shall apply to Awards granted to U.S. Taxpayers:

2.1. "Affiliate" means any entity other than the Company and any Subsidiary that is affiliated with the Company through stock or equity ownership or otherwise and is designated as an Affiliate for purposes of the Plan by the Committee; provided, however, that, notwithstanding any other provisions of the Plan to the contrary, for purposes of NQSOs and SARs, if an individual who otherwise qualifies as an Employee or Non-Employee Director provides services to such an entity and not to the Company or a Subsidiary, such entity may only be designated an Affiliate if the Company qualifies as a "service recipient," within the meaning of Code Section 409A, with respect to such individual; provided further that such definition of "service recipient" shall be determined by (i) applying Code Section 1563(a)(1), (2) and (3), for purposes of determining a controlled group of corporations under Code Section 414(b), using the language "at least 50 percent" instead of "at least 80 percent" each place it appears in Code Section 1563(a)(1), (2) and (3), and by applying Treasury Regulations Section 1.414(c)-2, for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), using the language "at least 50 percent" instead of "at least 80 percent" each place it appears in Treasury Regulations Section 1.414(c)-2, and (ii) where the use of Shares with respect to the grant of an Option or SAR to such an individual is based upon legitimate business criteria, by applying Code Section 1563(a)(1), (2) and (3), for purposes of determining a controlled group of corporations under Code Section 414(b), using the language "at least 20 percent" instead of "at least 80 percent" at each place it appears in Code Section 1563(a)(1), (2) and (3), and by applying Treasury Regulations Section 1.414(c)-2, for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), using the language "at least 20 percent" instead of "at least 80 percent" at each place it appears in Treasury Regulations Section 1.414(c)-2. This definition shall have no effect on the definition of Affiliate used with respect to the definition of Change of Control.

2.2. "Code" means the Internal Revenue Code of 1986, as it may be amended from time to time, including rules and regulations promulgated thereunder and successor provisions and rules and regulations thereto.

2.3. "Fair Market Value" means the fair market value of the Shares as determined by the Committee by the reasonable application of a reasonable valuation method, consistently applied, as the Committee deems appropriate; provided, however, that, with respect to ISOs, for purposes of Section 6.3 of the Plan and Sections 3.4 and 3.5 of this Appendix, such fair market value shall be determined subject to Section 422(c)(7) of the Code; provided further, however, that if the Shares are readily tradable on an established securities market, Fair Market Value on any date shall be the last sale price reported for the Shares on such market on such date or, if no sale is reported on such date, on the last date preceding such date on which a sale was reported. In each case, the Committee shall determine Fair Market Value in a manner that satisfies the applicable requirements of Code Section 409A.

2.4. "Incentive Stock Option" or "ISO" means a right to purchase Shares under the Plan in accordance with the terms and conditions set forth in Article VI of the Plan and which is

designated as an Incentive Stock Option and which is intended to meet the requirements of Section 422 of the Code.

2.5. "Nonqualified Stock Option" or "NQSO" means a right to purchase Shares under the Plan in accordance with the terms and conditions set forth in Article VI of the Plan and which is not intended to meet the requirements of Section 422 of the Code or otherwise does not meet such requirements.

2.6. "Qualified Change of Control" means a Change of Control that qualifies as a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of Section 409A(a)(2)(A)(v) of the Code.

2.7. "Separation from Service" means a Termination that qualifies as a separation from service within the meaning of Code Section 409A(a)(2)(A)(i).

2.8. "Subsidiary" means any present or future corporation which is or would be a "subsidiary corporation" of the Company as the term is defined in Section 424(f) of the Code.

3. INCENTIVE STOCK OPTIONS

3.1. Each Award Agreement shall specify whether an Option is intended to be a ISO or an NQSO. To the extent that any Option granted to a U.S. Taxpayer does not qualify as an ISO (whether because of its provisions or the time or manner of its exercise or otherwise), such Option, or the portion thereof which does not so qualify, shall constitute a separate NQSO.

3.2. No ISO shall be granted to any individual otherwise eligible to participate in the Plan who is not an Employee of the Company or a Subsidiary on the date of granting of such Option. Any ISO granted under the Plan shall contain such terms and conditions, consistent with the Plan, as the Committee may determine to be necessary to qualify such Option as an "incentive stock option" under Section 422 of the Code. Any ISO granted under the Plan may be modified by the Committee to disqualify such Option from treatment as an "incentive stock option" under Section 422 of the Code

3.3. The total number of Shares that may be delivered pursuant to Incentive Stock Options granted under the Plan shall be the number of Shares set forth in the third sentence of Section 4.1 of the Plan, as adjusted pursuant to Section 4.1 of the Plan, but without application of the last sentence of such section.

3.4. Notwithstanding any intent to grant ISOs, an Option granted under the Plan will not be considered an ISO to the extent that it, together with any other "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to subsection (d) of such Section) under the Plan and any other "incentive stock option" plans of the Company, any Subsidiary and any "parent corporation" of the Company within the meaning of Section 424(e) of the Code, are exercisable for the first time by any Participant during any calendar year with respect to Shares having an aggregate Fair

Market Value in excess of $100,000 (or such other limit as may be required by the Code) as of the time the Option with respect to such Shares is granted. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted.

3.5. No ISO shall be granted to an individual otherwise eligible to participate in the Plan who owns (within the meaning of Section 424(d) of the Code), at the time the Option is granted, more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or a Subsidiary or any "parent corporation" of the Company within the meaning of Section 424(e) of the Code. This restriction does not apply if at the time such ISO is granted the Option Price of the ISO is at least 110% of the Fair Market Value of a Share on the date such ISO is granted, and the ISO by its terms is not exercisable after the expiration of five years from such date of grant.

3.6. Notwithstanding any other provision of the Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (i) the Tandem SAR will expire no later than the expiration of the related ISO; (ii) the value of the payment with respect to the Tandem SAR may not exceed the difference between the Fair Market Value of the Shares subject to the related ISO at the time the Tandem SAR is exercised and the Option Price of the related ISO; and (iii) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

3.7. No ISO or Tandem SAR granted in connection with an ISO may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or in accordance with Section 11.2 of the Plan. Further, all ISOs and Tandem SARs granted in connection with ISOs granted to a Participant shall be exercisable during his or her lifetime only by such Participant.

3.8. Any changes to ISOs pursuant to Section 4.2 of the Plan shall, unless the Committee determines otherwise, only be effective to the extent such adjustments or changes do not cause a "modification" (within the meaning of Section 424(h)(3) of the Code) of such ISOs or adversely affect the tax status of such ISOs. Any such adjustment with respect to an Award intended to be an ISO shall be made only to the extent consistent with such intent, unless the Board or the Committee determines otherwise.

3.9. The Committee may require a Participant to give prompt written notice to the Company concerning any disposition of Shares received upon the exercise of an ISO within: (i) two (2) years from the date of granting such ISO to such Participant or (ii) one (1) year from the transfer of such Shares to such Participant or (iii) such other period as the Committee may from time to time determine. The Committee may direct that a Participant with respect to an ISO undertake in the applicable Award Agreement to give such written notice described in the preceding sentence, at such time and containing such information as the Committee may prescribe, and/or that the certificates evidencing Shares acquired by exercise of an ISO refer to such requirement to give such notice.

4. DEFERRED COMPENSATION

4.1. If any Award would be considered deferred compensation as defined under Code Section 409A and would fail to meet the requirements of Code Section 409A, then such Award shall be null and void; provided, however, that the Committee may permit deferrals of compensation pursuant to the terms of a Participant's Award Agreement, a separate plan, or a subplan which (in each case) meets the requirements of Code Section 409A. Additionally, to the extent any Award is subject to Code Section 409A, notwithstanding any provision herein to the contrary, this Appendix shall not permit the acceleration of the time or schedule of any distribution related to such Award, except as permitted by Code Section 409A.

4.2. Notwithstanding any provisions of the Plan to the contrary, in no event shall any deferral under Section 18.6 of the Plan be permitted if the Committee determines that such deferral would result in the imposition of additional tax under Code Section 409A of the Code.

4.3. The Committee shall not extend the period to exercise an Option or Stock Appreciation Right to the extent that such extension would cause the Option or Stock Appreciation Right to become subject to Code Section 409A. An Agreement may provide that the period of time over which an NQSO may be exercised shall be automatically extended if on the scheduled expiration date of such Option the Participant's exercise of such Option would violate applicable securities laws; provided, however, that during such extended exercise period the Option may only be exercised to the extent the Option was exercisable in accordance with its terms immediately prior to such scheduled expiration date; provided further, however, that such extended exercise period shall end not later than thirty (30) days after the exercise of such Option first would no longer violate such laws.

4.4. Unless the Committee provides otherwise in an Award Agreement, each Restricted Stock Unit, Performance Unit, Performance Share, Cash-Based Award and/or Other Stock-Based Award shall be paid in full to the Participant no later than the fifteenth day of the third month after the end of the first calendar year in which such Award is no longer subject to a "substantial risk of forfeiture" within the meaning of Code Section 409A. If the Committee provides in an Award Agreement that a Restricted Stock Unit, Performance Unit, Performance Share, Cash-Based Award or Other Stock-Based Award is intended to be subject to Code Section 409A, the Award Agreement shall include terms that are intended to satisfy the requirements of Section 409A.

4.5. No Dividend Equivalents shall relate to Shares underlying an Option or SAR unless such Dividend Equivalent rights are explicitly set forth as a separate arrangement and do not cause any such Option or SAR to be subject to Code Section 409A.

4.6. Notwithstanding any other provisions of the Plan or any Award Agreement to the contrary, if a Termination that is not a Separation from Service occurs, and payment or distribution of an Award constituting deferred compensation subject to Code Section 409A would otherwise be made or commence on the date of such Termination

(pursuant to the Plan, the Award Agreement or otherwise), (i) the vesting of such Award shall accelerate in accordance with the Plan and the Award Agreement, (ii) such payment or distribution shall not be made or commence prior to the earliest date on which Code Section 409A permits such payment or distribution to be made or commence without additional taxes or penalties under Code Section 409A, and (iii) in the event any such payment or distribution is deferred in accordance with the immediately preceding clause (ii), such payment or distribution that would have been made prior to the deferred payment or commencement date, but for Code Section 409A, shall be paid or distributed on such earliest payment or commencement date, together, if determined by the Committee, with interest at the rate established by the Committee.

4.7. Notwithstanding any other provisions of the Plan or any Award Agreement to the contrary, if a Change of Control that is not a Qualified Change of Control occurs, and payment or distribution of an Award constituting deferred compensation subject to Section 409A of the Code would otherwise be made or commence on the date of such Change of Control (pursuant to the Plan, the Award Agreement or otherwise), (i) the vesting of such Award shall accelerate in accordance with the Plan and the Award Agreement, (ii) such payment or distribution shall not be made or commence prior to the earliest date on which Code Section 409A permits such payment or distribution to be made or commence without additional taxes or penalties under Section 409A, and (iii) in the event any such payment or distribution is deferred in accordance with the immediately preceding clause (ii), such payment or distribution that would have been made prior to the deferred payment or commencement date, but for Code Section 409A, shall be paid or distributed on such earliest payment or commencement date, together, if determined by the Committee, with interest at the rate established by the Committee.

4.8. Neither the Board nor the Committee shall take any action that would cause an Award that is otherwise exempt from Code Section 409A to become subject to Code Section 409A, or that would cause an Award that is subject to Code Section 409A to fail to satisfy the requirements of Code Section 409A.

4.9. Although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Code Section 409A, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Code Section 409A or any other provision of federal, state, local, or non-United States law. The Company shall not be liable to any Participant for any tax, interest, or penalties the Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

5. SECTION 83(B) ELECTION

If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to an Award as of the date of transfer of Shares rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, such Participant shall deliver a copy of such election to the Company immediately after filing such election with the United States Internal Revenue Service. Neither the Company nor any Subsidiary or Affiliate

shall have any liability or responsibility relating to or arising out of the filing or not filing of any such election or any defects in its construction.

6. GOVERNING LAW AND JURISDICTION

This Appendix shall be governed by and construed and enforced in accordance with the laws of the State of Israel applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws. Unless otherwise provided in the Award Agreement, Participants are deemed to submit to the exclusive jurisdiction and venue of the courts in Tel-Aviv, Israel, to resolve any and all issues that may arise out of or relate to this Appendix or any related Award Agreement.

* * *

Exhibit 10.16

INDEMNIFICATION AND RELEASE AGREEMENT

To Mr./Ms. _____

It is in the best interest of Allot Communications Ltd. (the **"Company"**) to retain and attract as directors and/or officers the most capable persons available and such persons are becoming increasingly reluctant to serve in companies unless they are provided with adequate protection through insurance and indemnification in connection with such service.

You are or have been appointed to be a director and/or officer of the Company, and in order to enhance your service to the Company in an effective manner, the Company desires to provide hereunder for your indemnification to the fullest extent permitted by law.

In consideration of you continuing to serve the Company, the Company hereby agrees as follows:

1. The Company hereby undertakes to indemnify you to the maximum extent permitted by applicable law for any liability or expense imposed or incurred by you in respect of any act or omission or alleged act or omission (each, an **"action"**) taken or made by you in your capacity as an Office Holder (as defined in the Israeli Companies Law, 1999 (the "**Companies Law**")) of the Company, in respect of the following:

   1.1. any financial obligation imposed on or incurred by you in favor of another person by a court judgment, including a settlement or an arbitrator's award approved by court; and

   1.2. reasonable litigation expenses, including without limitation attorneys' fees and the fees and expenses of investigators, accountants and other experts, expended by you or charged to you by a court, (i) in a proceeding instituted against you by the Company or on its behalf or by another person, or (ii) in any criminal proceeding in which you are acquitted, or (iii) in any criminal proceeding for an offense which does not require proof of criminal intent of which you are convicted. and

   1.3. reasonable litigation expenses, including without limitation attorneys' fees and the fees and expenses of investigators, accountants and other experts, expended by you as a result of an investigation or proceeding instituted against you by an authority authorized to conduct such investigation or proceeding, which: (i) is Concluded Without The Filing Of An Indictment (as defined in the Companies Law) against you and without the imposition on you of any Financial Obligation In Lieu of Criminal Proceedings (as defined in the Companies Law), or (ii) which is Concluded Without The Filing Of An Indictment against you, but with the imposition on you of a Financial Obligation In Lieu of Criminal Proceedings in respect of an offense that does not require proof of criminal intent.

   1.4. The above indemnification will also apply to any action taken by you in your capacity as an Office Holder of any other company controlled, directly or indirectly, by the Company (a **"Subsidiary"**) or in your capacity as an officer, director, or observer at board of directors' meetings, of a company not controlled by the Company but where your appointment as such is at the request of the Company (**"Affiliate"**).

2. The Company will not indemnify you for any amount you may be obligated to pay in respect of any of the following:

   2.1. a breach of your duty of loyalty, except, to the extent permitted by law, for a breach of a duty of loyalty to the Company, a Subsidiary or an Affiliate while acting in good faith and having reasonable cause to assume that such act would not prejudice the interests of the Company, the Subsidiary or the Affiliate, as applicable;

   2.2. a willful breach of the duty of care, or reckless disregard for the circumstances or to the consequences of a breach of the duty of care other than a breach arising solely out of your negligent conduct;

   2.3. an action, taken or not taken, with the intent of unlawfully realizing personal gain;

   2.4. a fine or penalty imposed upon you for an offense;

   2.5. a counterclaim made by the Company or a Subsidiary or in its name in connection with a claim against the Company or such Subsidiary filed by you, other than for indemnification hereunder; and

   2.6 any claim arising from your purchase and sale of securities in violation of Section 16(b) of the Securities Act of 1934, as amended, if applicable.

3. The indemnification undertaking in paragraph 1.1 will be limited to the matters mentioned therein insofar as they result from your actions in the following matters or in connection therewith (which have been determined by the Board of Directors of the Company as foreseeable in view of the Company's current activity):

   3.1. The offering of securities by the Company and/or by a shareholder to the public and/or to private investors or the offer by the Company to purchase securities from the public and/or from private investors or other holders pursuant to a prospectus, agreements, notices, reports, tenders and/or other proceedings;

   3.2. Occurrences resulting from the Company's becoming, or its status as, a public company, and/or from the fact that the Company's securities were offered to the public and/or are traded on a stock exchange, whether in Israel or abroad;

   3.3. Occurrences in connection with investments that the Company and/or Subsidiaries and/or Affiliates make in other corporations whether before and/or after the investment is made, entering into the transaction, the execution, development and monitoring thereof, including actions taken by you in the name of the Company and/or a Subsidiary and/or an Affiliate as a director, officer, employee and/or board observer of the corporation the subject of the transaction and the like;

   3.4. The sale, purchase and holding of negotiable securities or other investments for or in the name of the Company, a Subsidiary and/or an Affiliate;

   3.5. Actions in connection with any sale or acquisition of assets by the Company, a Subsidiary and/or an Affiliate or the merger of the Company, a Subsidiary and/or an Affiliate with or into another entity;

   3.6. Actions in connection with the sale of the operations and/or business, or part thereof, of the Company, a Subsidiary and/or an Affiliate;

   3.7. Without derogating from the generality of the above, actions in connection

with the purchase or sale of companies, legal entities or assets, and the division or consolidation thereof;

3.8. Actions taken in connection with labor relations and/or employment matters in, and agreements, transactions and trade relations of, the Company, its Subsidiaries and/or Affiliates with third parties, including without limitation with employees, consultants, independent contractors, customers, suppliers and various service providers;

3.9. Actions concerning the approval of transactions of the Company, its Subsidiaries and/or Affiliates with officers and/or directors and/or holders of controlling interests in the Company, its Subsidiaries and/or Affiliates;

3.10. Actions taken in connection with the approval and execution of financial statements and business reports and the representations made in connection therewith;

3.11. Actions in connection with the testing of products developed by the Company, its Subsidiaries and/or Affiliates or in connection with the distribution, sale, license or use of such products;

3.12. Actions taken in connection with the intellectual property of the Company, its Subsidiaries and/or Affiliates, and its protection, including the registration or assertion of rights to intellectual property and the defense of claims related to intellectual property; and

3.13. Actions taken pursuant to or in accordance with the policies and procedures of the Company, its Subsidiaries and/or Affiliates, whether such policies and procedures are published or not.

4. The Company will make available to you all amounts needed in accordance with paragraph 1 above on the date on which such amounts are first payable by you (**"Time of Indebtedness"**), and with respect to items referred to in paragraphs 1.2 and 1.3 above, even prior to a court decision. Advances given to cover legal expenses in a criminal proceeding or in administrative or investigative proceeding that result in a criminal proceeding will be repaid by you to the Company if you are found guilty of a crime which requires proof of criminal intent. Other advances will be repaid by you to the Company if it is determined that you are not lawfully entitled to such indemnification.

   As part of the aforementioned undertaking, the Company will make available to you any security or guarantee that you may be required to post in accordance with an interim decision given by a court or an arbitrator, including for the purpose of substituting liens imposed on your assets.

   All amounts paid as indemnification pursuant hereto will be grossed-up to cover any tax payments you may be required to make if the indemnification payments are taxable to you.

5. The Company will indemnify you even if at the relevant Time of Indebtedness you are no longer an Office Holder of the Company or of a Subsidiary or an officer, director or board observer of an Affiliate, provided that the obligations are in respect of actions taken by you while you were an Office Holder, director, officer, and/or board observer, as aforesaid, and in such capacity, including if taken prior to the date of this Indemnification and Release Agreement and the indemnity will extend to your heirs, executors, administrators and legal representatives.

6. The Company will not indemnify you for any liability with respect to which you have

received payment by virtue of an insurance policy or another indemnification agreement other than for amounts which are in excess of the amounts actually paid to you pursuant to any such insurance policy or another indemnity agreement (including deductible amounts not covered by insurance policies).

7. Subject to the provisions of paragraph 6 above, the indemnification under paragraph 1.1 above with respect to all Office Holders in the aggregate will limited to an aggregate amount (which has been determined by the Board of Directors of the Company to be reasonable under the circumstances) which shall not exceed the greater of: (i) with respect to indemnification in connection with public offering of the Company's securities, the gross proceeds raised by the Company and/or any Selling Shareholder in such public offering, and (ii) with respect to any and all matters mentioned in paragraph 3 above (including a public offering of the Company's securities), an amount equal to 50% of the Company's shareholders equity (on a consolidated basis), based on the Company's most recent financial statements made publicly available before the date on which the indemnity payment is made. If the aforesaid amount is insufficient to cover all amounts to which all Office Holders are entitled, such amount shall be allocated among such persons pro rata to the amounts to which they are so entitled.

8. The Company will be entitled to reimbursement of amounts collected from a third party in connection with liabilities for which you were indemnified hereunder, such reimbursement not to exceed the amounts for which you were indemnified by the Company.

9. In all indemnifiable circumstances indemnification will be subject to the following:

   9.1. You shall promptly notify the Company of any legal proceedings initiated against you and of all possible or threatened legal proceedings and, to the extent permitted by law, all administrative or investigative proceedings initiated against you, without delay following your first becoming aware thereof, and deliver to the Company, or to such person as it shall advise you, without delay all documents you receive in connection with these proceedings and provide such other information and cooperation as the Company shall reasonably request.

   Similarly, you shall advise the Company on an ongoing and current basis concerning all events which you suspect may give rise to the initiation of legal proceedings against you.

   Failure to notify the Company as aforesaid will not relieve the Company of its indemnification obligations pursuant hereto except to the extent that it has been actually prejudiced as a result of such failure.

   9.2. Other than with respect to proceedings that have been initiated against you by the Company or in its name, the Company shall be entitled to assume the conduct of your defense in respect of such legal proceedings and/or to hand over the conduct thereof to any attorney which the Company may choose for that purpose, except to an attorney who is not, upon reasonable grounds, acceptable to you.

   Notwithstanding the foregoing you will be entitled to appoint separate counsel of your own that shall accompany you in such proceeding, but the expenses associated with the employment of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at your expense unless (i) the employment of counsel by you has been authorized by the Company, (ii) you shall have reasonably concluded that

there is reasonably likely to be a conflict of interest between the Company and you in the conduct of the defense of such proceeding or (iii) the Company shall not in fact have employed counsel to assume the defense of such proceeding, in each of which cases the expenses of your separate counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any proceeding brought by or on behalf of the Company or as to which you shall have made the conclusion provided for in (ii) above.

The Company and/or its attorney appointed by it as aforesaid shall be entitled, within the context of the conduct as aforesaid, to conclude such proceedings, all as it shall see fit, including by way of settlement. At the request of the Company, you shall execute all documents reasonably required to enable the Company and/or its attorney as aforesaid to conduct your defense in your name, and to represent you in all matters connected therewith, in accordance with the aforesaid.

For the avoidance of doubt, in the case of criminal proceedings the Company and/or its attorney as aforesaid will not have the right to plead guilty in your name or to agree to a plea-bargain in your name without your written consent. Furthermore, in a civil proceeding (whether before a court or as a part of a compromise arrangement), the Company and/or its attorney will not have the right to admit to any occurrences that are not fully indemnifiable pursuant to this Indemnification and Release Agreement, or to enter into any settlement, or compromise or consent to any judgment unless such settlement, compromise or consent includes an unconditional release of you from all liability arising out of the proceeding, without your written consent, which will not be unreasonably withheld. However, the aforesaid will not prevent the Company and/or its attorney as aforesaid, with the approval of the Company, to come to a financial arrangement with a plaintiff in a civil proceeding without your consent so long as such arrangement will not be an admittance of an occurrence not fully indemnifiable pursuant to this Indemnification and Release Agreement and so long as it includes an unconditional release as aforesaid.

9.3. You will fully cooperate with the Company and/or its attorney as aforesaid in every reasonable way as may be required of you within the context of their conduct of such legal proceedings, including but not limited to the execution of power(s) of attorney and other documents, provided that the Company shall cover all costs incidental thereto such that you will not be required to pay the same or to finance the same yourself; and provided, further, that you shall not be required to take any action that would in any way prejudice your defense or waive any defense or position available to you in connection with any proceeding.

9.4. You will do all things reasonably requested by the Board of Directors of the Company to subrogate to the Company any rights of recovery (including rights to insurance or indemnification from persons other than the Company) which you may have with respect to any proceeding.

9.5. The Company will have no liability or obligation pursuant to this Indemnification and Release Agreement or the resolutions referred to below to indemnify you for any amount expended by you pursuant to any

compromise or settlement agreement reached in any suit, demand or other proceeding as aforesaid without the Company's prior consent to such compromise or settlement.

9.6. That, if required by law, the Company's authorized organs will consider the request for indemnification and the amount thereof, and will determine if you are entitled to indemnification and the amount thereof.

10. Subject to paragraph 2 above, the Company hereby exempts and releases you, to the fullest extent permitted by law, from any liability for damages caused as a result of a breach of your duty of care to the Company, whether such breach occurred or occurs prior or subsequent to the resolutions referred to below, provided that no such exemption shall apply to a breach of your duty of care in connection with distribution of Company's assets.

11. If for the validation of any of the undertakings in this Indemnification and Release Agreement any act, resolution, approval or other procedure is required, the Company undertakes to initiate and make its best efforts to cause them to be done or adopted in a manner which will enable the Company to fulfill all its undertakings as aforesaid.

12. For the avoidance of doubt, it is hereby clarified that nothing contained in this Indemnification and Release Agreement or in the above resolutions derogates from the Company's right to indemnify you post factum for any amounts which you may be obligated to pay as set forth in paragraph 1 above without the limitations set forth in paragraphs 3 and 7 above.

13. If any undertaking included in this Indemnification and Release Agreement is held invalid or unenforceable, such invalidity or unenforceability will not affect any of the other undertakings, exemptions or releases, which will remain in full force and effect. Furthermore, if such invalid or unenforceable undertaking exemption or release may be modified or amended so as to be valid and enforceable as a matter of law, such undertakings exemptions or releases will be deemed to have been modified or amended, and any competent court or arbitrator are hereby authorized to modify or amend such undertaking exemption or release, so as to be valid and enforceable to the maximum extent permitted by law.

14. This Indemnification and Release Agreement and the agreement herein shall be governed by and construed and enforced in accordance with the laws of the State of Israel, as such laws are applied to contracts entered into and to be performed entirely within the State of Israel, without regard to its conflict of laws rules.

15. This Indemnification and Release Agreement contains the entire agreement and understanding between the Company and yourself in respect of the subject matter hereof and terminates and replaces any previous agreement in such respect any previous indemnification agreement with you.

16. Subject to all indemnification limitations set herein, the Company shall reimburse you for all of your reasonable out-of-pocket expenses, including legal expenses, in enforcing this Indemnification and Release Agreement against the Company in the event that you prevail in such enforcement.

This letter is being issued to you pursuant to the resolutions adopted by the board of directors of the Company on _____ ___, 2006, and by the shareholders of the Company on _____ ___, 2006.

Kindly sign and return the enclosed copy of this letter to acknowledge your agreement to the contents hereof.

Sincerely,

Allot Communications Ltd.
By:
Title:
Date: _____ ___, 2006

I agree.

_____
[Name of Office Holder]

Date: _____ ___, 2006

Exhibit 10.17

Addendum to Escrow Agreement

This Addendum to Escrow Agreement (this "**Addendum**") is entered into as of October 26, 2006 (the "**Effective Date**"), by and between Allot Communications Ltd. (the "**Company**") and Yigal Jacoby ("**Jacoby**", and together with the Company, the "**Parties**").

WHEREAS the Parties hereto are parties to that certain Escrow Agreement of January 1998 attached hereto as **Schedule A** (the "**Agreement**"), pursuant to which Jacoby was entitled to purchase 1,083,568 Ordinary Shares of the Company (the "**Jacoby Ordinary Shares**"); and

WHEREAS the shareholders of the Company, in their resolution of April 2002, resolved to convert the Jacoby Ordinary Shares into Series A Preferred Shares, and accordingly, Jacoby is entitled to purchase 1,083,568 Series A Preferred Shares of the Company par value NIS0.01 each (the "**Jacoby Shares**"); and

WHEREAS the Parties wish to add to the terms of the Agreement, so as to allow Jacoby to pay the Purchase Price (as defined therein) in part and also by way of a net payment, and to amend the terms pertaining to the termination of Jacoby's right to purchase the Jacoby Shares, all as described herein;

NOW, THEREFORE, the Parties hereto hereby agree as follows:

1. Unless defined otherwise, capitalized terms shall have the meanings set forth in the Agreement.

2. Notwithstanding anything to the contrary stated in the Agreement, Jacoby shall be entitled to pay any portion of the Purchase Price in cash from time to time and to receive from the Escrow Agent the respective number of the Jacoby Shares, and shall not be restricted to the payment in full of the Purchase Price.

3. Notwithstanding anything to the contrary stated in the Agreement, including without limitation Section 4 thereto, Jacoby shall be entitled to exercise the right to purchase the Jacoby Shares until the earlier of: (i) a date that is two years following the closing of an initial public offering of the Company's securities ("**IPO**"), and (ii) the consummation of any event other than an IPO which is deemed a "Liquidity Event", as such term is defined in the Agreement (each, the "**Expiration Date**").

4. Without derogating from anything contained in the Agreement, Jacoby shall also be entitled to pay the Purchase Price or any portion thereof as follows:

   In the event of a Liquidity Event and at any time following an IPO, in lieu of the payment in cash of the Purchase Price (in full or in part) by Jacoby, Jacoby may also elect to receive such number of shares out of the Jacoby Shares the value of which is equal to the excess of the total value of the number of the Jacoby Shares with respect to which such election is made over the relative portion of Purchase Price applicable to such number of Jacoby Shares in accordance with the formula below (the "**Net Payment**"). If the Net Payment is in the context of a Liquidity Event (other than an IPO) that occurs prior to an IPO then the Net Payment may be effected only contingent upon the actual closing of such Liquidity Event. If Jacoby elects to effect a Net Payment as provided in this Section 4, then Jacoby shall provide the Company with a written notice to that effect and the Company shall instruct the Escrow Agent to transfer to Jacoby the number of shares out of the Jacoby Shares computed using the following formula:

$$X = Y \cdot \left(\frac{A - B}{A} \right)$$

Where:

X = the number of shares out of the Jacoby Shares to be transferred to Jacoby upon effecting a Net Payment under this Section 4.

Y = the number of Jacoby Shares covered by the Agreement in respect of which the Net Payment election is made.

A = the Fair Market Value (as defined below) of one Jacoby Share.

B = the respective portion of the Purchase Price payable with respect to one Jacoby Share (less the previously paid par value on account of such Jacoby Share).

"**Fair Market Value**" shall mean:

4.1. If the Net Payment is effected at the date of a Liquidity Event then the price per share of the class of a Jacoby Share determined for purposes of such Liquidity Event (and in case of an IPO, the public offering price (before deduction of underwriters' discounts, commissions or expenses) in the IPO);

4.2. If traded on a securities exchange or the Nasdaq Global Market, the fair market value shall be deemed to be the average of the closing or last reported sale prices of the ordinary shares of the Company on such exchange or market over a period of five trading days ending five trading days prior to the date of the Net Payment;

4.3. If otherwise traded in an over-the-counter market, the fair market value shall be deemed to be the average of the closing ask prices of the ordinary shares over a period of five trading days ending five trading days prior to the date of the Net Payment; and

4.4. If any of the provisions of 4.1-4.3 do not apply, then the Fair Market Value shall be determined in good faith by the Company's Board of Directors.

5. All Jacoby Shares held by the Escrow Agent with respect to which no Payment was made prior to the Expiration Date or with respect to which Net Payment election was made shall be automatically forfeited by the Company upon the Expiration Date or the effective date of the Net Payment election, as the case may be, without payment of any consideration or the need of any further notice or corporate action of any kind and the Escrow Agent shall transfer these Jacoby Shares to the Company promptly upon written request by the Company.

6. This Agreement will become effective as of the Effective Date (subject to approval by the Board of Directors and shareholders of the Company), provided that Section 3 shall become effective only as of the closing of an IPO. Except as expressly stated herein, all terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have signed this Addendum at the date set forth above.

/s/ Adi Sapir
Allot Communications Ltd.
By: Adi Sapir
Title: CFO

/s/ Yigal Jacoby
Yigal Jacoby

We acknowledge and agree to the aforesaid Addendum:

/s/ Ori Rosen
ORO Trust Company Ltd.

Exhibit 21.1

ALLOT COMMUNICATIONS LTD.

SUBSIDIARIES OF THE COMPANY

Name of Subsidiary:	Jurisdiction of Incorporation or Organization
Allot Communications UK Limited	**United Kingdom**
Allot Communications Japan K.K.	**Japan**
Allot Communication Europe SARL	**France**
Allot Communications (Asia Pacific) Pte. Ltd.	**Singapore**
Allot Communications, Inc.	**United States**

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 14, 2006 (except for Notes 9a, 9d and 14, as to which the date is October 30, 2006) in the Registration Statement on Form F-1 and related Prospectus of Allot Communications Ltd.

/s/: Kost Forer Gabbay & Kasierer
KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Tel Aviv, Israel
October 30, 2006

Exhibit 23.3

LETTER OF CONSENT

We hereby consent to the reference to (i) our firm's name, and (ii) our reports relating to the valuation of the ordinary shares of Allot Communications Ltd. (the "Company") in Amendment No. 1 to the Registration Statement on Form F-1 of the Company and any amendments thereto.

Very truly yours,

/s/: BDO Ziv Haft Consulting & Management Ltd

BDO Ziv Haft Consulting & Management Ltd.

October 22, 2006
Tel Aviv, Israel

Exhibit 23.4

LETTER OF CONSENT

We hereby consent to the reference to (i) our firm's name, (ii) our report relating to the valuation of the purchase price allocation and intangible assets of NetReality Ltd. in Amendment No. 1 to the Registration Statement on Form F-1 of Allot Communications Ltd. dated September 21, 2006 and any amendments thereto.

Very truly yours,

/s/: Vega Consultants Ltd.
VEGA CONSULTANTS LTD.

September 20, 2006
Tel Aviv, Israel