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

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2014

or

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

For the transition period from to

Commission File Number 001-35594

Palo Alto Networks, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-2530195**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

4401 Great America Parkway
Santa Clara, California 95054
(Address of principal executive office, including zip code)

(408) 753-4000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x
The number of shares outstanding of the registrant's common stock as of May 12, 2014 was 77,077,404.

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PART I

ITEM 1. FINANCIAL STATEMENTS

PALO ALTO NETWORKS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except per share data)

	April 30, 2014	July 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 234,790	$ 310,614
Short-term investments	133,180	109,007
Accounts receivable, net of allowance for doubtful accounts of $693 and $51 at April 30, 2014 and July 31, 2013, respectively	114,789	87,461
Prepaid expenses and other current assets	33,686	22,617
Total current assets	516,445	529,699
Property and equipment, net	48,488	32,086
Long-term investments	103,902	17,314
Goodwill	155,086	—
Intangible assets, net	49,613	1,358
Other assets	6,853	5,149
Total assets	$ 880,387	$ 585,606
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 24,641	$ 15,544
Accrued and other liabilities	150,296	14,609
Accrued compensation	29,188	22,004
Deferred revenue	231,226	153,945
Total current liabilities	435,351	206,102
Deferred revenue—non-current	136,707	95,285
Other long-term liabilities	36,636	11,799
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock; $0.0001 par value; 100,000 shares authorized; none issued and outstanding at April 30, 2014 and July 31, 2013	—	—
Common stock; $0.0001 par value; 1,000,000 shares authorized; 77,055 and 71,612 shares issued and outstanding at April 30, 2014 and July 31, 2013, respectively	7	7
Additional paid-in capital	575,293	381,703
Accumulated other comprehensive gain (loss)	61	(16)
Accumulated deficit	(303,668)	(109,274)

Total stockholders’ equity	271,693	272,420
Total liabilities and stockholders’ equity	$ 880,387	$ 585,606

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
Revenue:				
Product	$ 84,128	$ 60,793	$ 240,436	$ 178,251
Services	66,572	40,496	179,512	105,471
Total revenue	150,700	101,289	419,948	283,722
Cost of revenue:				
Product	20,425	15,855	58,600	46,907
Services	19,285	11,835	52,421	32,591
Total cost of revenue	39,710	27,690	111,021	79,498
Total gross profit	110,990	73,599	308,927	204,224
Operating expenses:				
Research and development	27,837	16,048	71,983	44,855
Sales and marketing	83,995	51,733	228,095	140,136
General and administrative	23,717	12,268	57,575	30,971
Legal settlement (Note 12)	121,173	—	141,173	—
Total operating expenses	256,722	80,049	498,826	215,962
Operating loss	(145,732)	(6,450)	(189,899)	(11,738)
Interest income	272	133	619	347
Other income (expense), net	145	(157)	11	(387)
Loss before income taxes	(145,315)	(6,474)	(189,269)	(11,778)
Provision for income taxes	1,272	808	5,125	1,632
Net loss	$ (146,587)	$ (7,282)	$ (194,394)	$ (13,410)
Net loss per share, basic and diluted	$ (1.96)	$ (0.10)	$ (2.66)	$ (0.20)
Weighted-average shares used to compute net loss per share, basic and diluted	74,967	69,575	73,127	67,980

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, in thousands)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
Net loss	$ (146,587)	$ (7,282)	$ (194,394)	$ (13,410)
Other comprehensive gain, net of tax:				
Change in unrealized gains (losses) on investments	18	34	87	23
Reclassification adjustment for realized net gains on investments included in net loss	—	—	(10)	—
Net change	18	34	77	23
Comprehensive loss	$ (146,569)	$ (7,248)	$ (194,317)	$ (13,387)

See notes to condensed consolidated financial statements.

PALO ALTO NETWORKS, INC.

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

	Nine Months Ended April 30,	
	2014	2013
Cash flows from operating activities		
Net loss	$ (194,394)	$ (13,410)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,638	7,221
Amortization of investment premiums, net of accretion of purchase discounts	1,180	1,445
Share-based compensation for equity based awards	66,685	29,608
Excess tax benefit from share-based compensation	(758)	(177)
Changes in operating assets and liabilities:		
Accounts receivable, net	(27,220)	(45,847)
Prepaid expenses and other assets	(7,926)	(5,991)
Accounts payable	8,965	3,347
Accrued and other liabilities	137,835	13,097
Deferred revenue	118,551	83,496
Net cash provided by operating activities	114,556	72,789
Cash flows from investing activities		
Purchase of property, equipment, and other assets	(31,379)	(16,595)
Purchase of investments	(316,911)	(310,683)
Proceeds from sales of investments	6,630	13,491
Proceeds from maturities of investments	198,080	117,150
Acquisition of business, net of cash acquired	(85,726)	—
Net cash used in investing activities	(229,306)	(196,637)
Cash flows from financing activities		
Excess tax benefit from share-based compensation	758	177
Proceeds from exercise of stock options	25,431	11,195
Proceeds from employee stock purchase plan	12,869	6,267
Repurchase of restricted common stock from terminated employees	(132)	(71)
Payment of initial public offering costs	—	(2,698)
Net cash provided by financing activities	38,926	14,870
Net decrease in cash and cash equivalents	(75,824)	(108,978)
Cash and cash equivalents—beginning of period	310,614	322,642
Cash and cash equivalents—end of period	$ 234,790	$ 213,664

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Palo Alto Networks, Inc. (the "Company," "we," "us," or "our"), located in Santa Clara, California, was incorporated in March 2005 under the laws of the State of Delaware and commenced operations in April 2005. We offer a next-generation enterprise security platform that allows enterprises, service providers, and government entities to simultaneously empower and secure their organization by safely enabling the increasingly complex and rapidly growing number of applications running on their networks and preventing breaches stemming from targeted cyber attacks. Our enterprise security platform consists of three major elements: our Next-Generation Firewall, our Next-Generation Endpoint Protection, and our Next-Generation Threat Intelligence Cloud. Our Next-Generation Firewall delivers application, user, and content visibility and control as well as protection against network based cyber threats integrated within the firewall through our proprietary hardware and software architecture. Our Next-Generation Endpoint Protection protects against cyber attacks that aim to exploit software vulnerabilities on a broad variety of fixed and virtual endpoints. Our Next-Generation Threat Intelligence Cloud provides central intelligence capabilities as well as automation of delivery of preventative measures against cyber attacks. We primarily sell our products and services to end-customers through our channel partners and infrequently directly to end-customers. Our partners are supported by our sales and marketing organization in the Americas, in Europe, the Middle East, and Africa (EMEA), and in Asia Pacific and Japan (APAC).

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles, consistent in all material respects with those applied in our Annual Report on Form 10-K for the fiscal year ended July 31, 2013. The condensed consolidated financial statements include all adjustments necessary for a fair presentation of our quarterly results. All adjustments are of a normal recurring nature. We have made estimates and judgments affecting the amounts reported in our condensed consolidated financial statements and the accompanying notes. The actual results that we experience may differ materially from our estimates. Certain prior period amounts have been reclassified to conform with current period presentation.

Principles of Consolidation

The condensed consolidated financial statements include our accounts and our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Summary of Significant Accounting Policies

There have been no material changes to our significant accounting policies as of and for the three and nine months ended April 30, 2014, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended July 31, 2013, except for the inclusion of a policy related to business combinations, amortization of intangible assets, and broadening our policy on the Impairment of Long-Lived Assets to include policies related to goodwill and intangible assets.

Business Combinations

We include the results of operations of the businesses that we acquire as of the respective dates of acquisition. We allocate the fair value of the purchase price of our acquisitions to the tangible assets acquired, liabilities assumed, and intangible assets acquired, based on their estimated fair values. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. Additional information existing as of the acquisition date but unknown to us may become known during the remainder of the measurement period, not to exceed 12 months from the acquisition date, which may result in changes to the amounts and allocations recorded.

Amortization of Intangible Assets

Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets. Acquisition-related in-process research and development represents the fair value of incomplete research and development projects that have not reached technological feasibility as of the date of acquisition. Initially, these assets are not subject to amortization. Assets related to projects that have been completed are transferred to developed technology, which are subject to amortization, while assets related to projects that have been abandoned are impaired and expensed to research and development.

Impairment of Goodwill, Intangible Assets, and Long-Lived Assets

Goodwill is evaluated for impairment on an annual basis in the fourth quarter of our fiscal year, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. We have elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount. If we determine that it is more likely than not that the fair value of our single reporting unit is less than its carrying amount, then the two-step goodwill impairment test will be performed. The first step, identifying a potential impairment, compares the fair value of our single reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step will be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the goodwill carrying amount over the implied fair value is recognized as an impairment loss.

We evaluate events and changes in circumstances that could indicate carrying amounts of purchased intangible assets and long-lived assets may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of these assets by determining whether or not the carrying amount will be recovered through undiscounted expected future cash flows. If the total of the future undiscounted cash flows is less than the carrying amount of an asset, we record an impairment loss for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Recent Accounting Pronouncements

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740)-Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The standard requires us to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss (NOL) carryforward or other tax credit carryforward when settlement in this manner is available under applicable tax law. The guidance is effective for us in the first quarter of fiscal 2015 and will be applied prospectively. Early adoption is permitted. We do not believe the adoption of this guidance will have a material impact on our condensed consolidated financial statements.

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, *Comprehensive Income (Topic 220)-Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The standard requires entities to present (either on the face of the income statement or in the notes) the effects on the line items of the income statement for amounts reclassified out of accumulated other comprehensive income. The guidance was effective for us in the first quarter of fiscal 2014. Our adoption of this guidance did not impact our financial statements as the guidance is related to disclosure only and we did not have significant reclassifications out of accumulated other comprehensive income.

2. Fair Value Measurements

We categorize assets and liabilities recorded at fair value on our condensed consolidated balance sheets based upon the level of judgment associated with inputs used to measure their fair value. The categories are as follows:

- Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.
- Level 3—Inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. The inputs require significant management judgment or estimation.

The following table presents the fair value of our financial assets and liabilities using the above input categories (in thousands):

	April 30, 2014				July 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents:								
Certificates of deposit	$ —	$ —	$ —	$ —	$ 1,822	$ —	$ —	$ 1,822
U.S. government and agency securities	—	4,000	—	4,000	—	46,700	—	46,700
Money market funds	—	—	—	—	131,845	—	—	131,845
Total cash equivalents	—	4,000	—	4,000	133,667	46,700	—	180,367
Short-term investments:								
Corporate debt securities	—	27,583	—	27,583	—	32,834	—	32,834
U.S. government and agency securities	—	105,597	—	105,597	—	76,173	—	76,173
Total short-term investments	—	133,180	—	133,180	—	109,007	—	109,007
Long-term investments:								
Certificates of deposit	—	3,001	—	3,001	—	—	—	—
Corporate debt securities	—	18,390	—	18,390	—	12,317	—	12,317
U.S. government and agency securities	—	82,511	—	82,511	—	4,997	—	4,997
Total long-term investments	—	103,902	—	103,902	—	17,314	—	17,314
Other assets:								
Restricted cash	1,220	—	—	1,220	1,221	—	—	1,221
Total other assets	1,220	—	—	1,220	1,221	—	—	1,221
Total assets measured at fair value	$ 1,220	$ 241,082	$ —	$ 242,302	$ 134,888	$ 173,021	$ —	$ 307,909

3. Investments

The following tables summarize our unrealized gains and losses and fair value of investments as of April 30, 2014 and July 31, 2013 (in thousands):

	April 30, 2014			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Certificates of deposit	$ 3,000	$ 1	$ —	$ 3,001
Corporate debt securities	45,957	22	(6)	45,973
U.S. government and agency securities	192,064	68	(24)	192,108
Total	$ 241,021	$ 91	$ (30)	$ 241,082

	July 31, 2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Certificates of deposit	$ 1,822	$ —	$ —	$ 1,822
Corporate debt securities	45,173	12	(34)	45,151
U.S. government and agency securities	127,864	8	(2)	127,870
Money market funds	131,845	—	—	131,845
Total	$ 306,704	$ 20	$ (36)	$ 306,688

The following tables present our investments that were in an unrealized loss position as of April 30, 2014 and July 31, 2013 (in thousands):

	April 30, 2014					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt securities	16,766	(6)	—	—	16,766	(6)
U.S. government and agency securities	33,601	(24)	—	—	33,601	(24)
Total	$ 50,367	$ (30)	$ —	$ —	$ 50,367	$ (30)

	July 31, 2013					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt securities	$ 31,429	$ (34)	$ —	$ —	$ 31,429	$ (34)
U.S. government and agency securities	15,926	(2)	—	—	15,926	(2)
Total	$ 47,355	$ (36)	$ —	$ —	$ 47,355	$ (36)

Unrealized losses related to these investments are due to interest rate fluctuations as opposed to credit quality. In addition, we do not intend to sell and it is not more likely than not that we would be required to sell these investments before recovery of their amortized cost basis, which may be at maturity. As a result, there is no other-than-temporary impairment for these investments at April 30, 2014.

The following table summarizes the amortized cost and fair value of our investments as of April 30, 2014, by contractual years-to-maturity (in thousands):

	Amortized Cost	Fair Value
Due within one year	$ 137,154	$ 137,180
Due within one to two years	103,867	103,902
Total	$ 241,021	$ 241,082

4. Acquisitions

Business Combinations

Cyvera Ltd.

On April 9, 2014, we completed our acquisition of Cyvera Ltd. (“Cyvera”), a privately-held cybersecurity company located in Tel Aviv, Israel. The acquisition extends our next-generation security platform with an innovative approach to preventing attacks on the endpoint. We have accounted for this transaction as a business combination in exchange for total consideration of approximately $177,647,000, which consisted of the following (in thousands):

	Amount
Cash	$ 90,170
Common stock (1,281,000 shares)	87,477
Total	$ 177,647

As part of the acquisition, we agreed to replace Cyvera's unvested options with our restricted stock units with an estimated fair value of $6,353,000. Of the total estimated fair value, a portion was allocated to the purchase consideration and the remainder was allocated to future services and will be expensed over the remaining service periods on a straight-line basis as share-based compensation.

In addition, we issued 276,000 shares of restricted common stock with a total fair value of $17,612,000 to certain Cyvera employees. The restriction on these shares will be released over a period of three years from the acquisition date, subject to continued employment. These shares were excluded from the purchase consideration and are being expensed over the remaining service periods on a straight-line basis as share-based compensation.

We expensed the related acquisition costs in the amount of $3,583,000 in general and administrative expenses in the three and nine months ended April 30, 2014.

The following table summarizes our preliminary allocation of the purchase consideration based on the fair value of assets acquired and liabilities assumed (in thousands):

		Amount
Cash	$	6,930
Goodwill		144,992
Identified intangible assets		42,300
Accrued and other liabilities, net		(6,950)
Long-term deferred tax liability, net		(9,625)
Total	$	177,647

We expect to finalize the valuation as soon as practicable, but not later than 12 months from the acquisition date.

The following table presents details of the identified intangible assets acquired (in thousands, except years):

		Fair Value	Estimated Useful Life
Developed technology	$	34,500	7 years
In-process research and development		7,600	N/A
Other		200	2 years
Total	$	42,300	

Goodwill generated from this business combination is primarily attributable to the assembled workforce and synergies from combined selling opportunities of both network security products and endpoint security products. The goodwill is not tax deductible for Israeli income tax purposes.

Cyvera's operating results are included in our Condensed Consolidated Statements of Operations from the date of the acquisition and are considered immaterial for purposes of financial disclosures.

The following table presents the unaudited pro forma financial information for the three and nine months ended April 30, 2014 and 2013, as though the companies were combined as of August 1, 2012 (in thousands):

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2014		2013		2014		2013	
Total revenue	$	150,732	$	101,295	$	420,023	$	283,739
Net loss	$	(149,776)	$	(10,744)	$	(210,276)	$	(23,502)

The pro forma financial information for the three and nine months ended April 30, 2014 and 2013 has been calculated after adjusting the results of Cyvera to reflect the business combination accounting effects resulting from this acquisition as though the acquisition occurred as of August 1, 2012, including the amortization expense from acquired intangible assets and post-acquisition share-based compensation expense related to restricted common stock and the replacement of unvested Cyvera options. The pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of our fiscal 2013.

The pro forma financial information for the three and nine months ended April 30, 2014 and 2013 combines the historical results of the Company for the three and nine months ended April 30, 2014 and 2013 and the adjusted historical results of Cyvera for the three and nine months ended March 31, 2014 and 2013, due to differences in reporting periods and considering the date the Company acquired Cyvera.

Morta Security, Inc.

On December 26, 2013, we completed our acquisition of Morta Security, Inc. ("Morta"), a privately-held cybersecurity company. We have accounted for this transaction as a business combination and exchanged total cash consideration of $10,345,000, of which $2,500,000 was withheld for Morta's indemnification obligations. Morta brings us a team of cybersecurity experts which will enhance the proven detection and prevention capabilities of our WildFire offering.

The following table summarizes our preliminary allocation of the purchase consideration based on the fair value of assets acquired and liabilities assumed (in thousands):

	Amount
Goodwill	$ 10,094
Identified intangible assets	2,200
Net liabilities assumed	(1,949)
Total	$ 10,345

The following table presents details of the identified intangible assets acquired (in thousands, except years):

	Fair Value	Estimated Useful Life
In-process research and development held for defensive purposes	$ 1,900	3 years
Other	300	2 years
Total	$ 2,200	

Morta's operating results are included in our Condensed Consolidated Statements of Operations from the date of the acquisition and are considered immaterial for purposes of pro forma financial disclosures. Goodwill generated from this business combination is primarily attributable to human capital with threat intelligence experience and capabilities, and is not tax deductible for U.S. federal income tax purposes.

Other Purchased Intangible Assets

On September 4, 2013 we entered into an agreement to purchase intellectual property for $5,000,000, which is being amortized over a weighted-average period of 13 years.

5. Goodwill and Intangible Assets

Goodwill

The following table presents details of our goodwill during the nine months ended April 30, 2014 (in thousands):

	Gross Carrying Amount	Accumulated Impairment Loss	Net Carrying Amount
Balance as of July 31, 2013	$ —	$ —	$ —
Goodwill acquired	155,086	—	155,086
Balance as of April 30, 2014	$ 155,086	$ —	$ 155,086

Purchased Intangible Assets

The following tables present details of our purchased intangible assets as of April 30, 2014 and July 31, 2013 (in thousands):

	April 30, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with finite lives:			
Developed technology	$ 34,500	$ (411)	$ 34,089
Acquired intellectual property	6,546	(753)	5,793
In-process research and development held for defensive purposes	1,900	(212)	1,688
Other	500	(57)	443
Total intangible assets with finite lives	43,446	(1,433)	42,013
In-process research and development with indefinite lives	7,600	—	7,600
Total purchased intangible assets	$ 51,046	$ (1,433)	$ 49,613

	July 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired intellectual property	$ 1,546	$ (188)	$ 1,358

Amortization expense was $820,000 and $1,245,000 for the three and nine months ended April 30, 2014, respectively, and $42,000 and $68,000 for the three and nine months ended April 30, 2013, respectively.

The following table summarizes our estimated future amortization expense of intangible assets with finite lives by type as of April 30, 2014 (in thousands):

	Fiscal Years Ending July 31,					
	Remaining 2014	2015	2016	2017	2018	2019 and Thereafter
Developed technology	$ 1,232	$ 4,928	$ 4,928	$ 4,928	$ 4,928	$ 13,145
Acquired intellectual property	205	761	704	611	484	3,028
In-process research and development held for defensive purposes	158	633	633	264	—	—
Other	63	250	130	—	—	—
Total future amortization expense	$ 1,658	$ 6,572	$ 6,395	$ 5,803	$ 5,412	$ 16,173

6. Commitments and Contingencies

Leases

We lease our facilities under various non-cancelable operating leases, which expire through the year ending July 31, 2023.

The following table presents details of the aggregate future non-cancelable minimum rental payments on our operating leases as of April 30, 2014 (in thousands):

	Amount
Fiscal years ending July 31:	
Remaining 2014	$ 2,930
2015	13,778
2016	14,018
2017	13,052
2018	11,774
2019 and thereafter	52,300
Committed gross lease payments	107,852
Less: proceeds from sublease rental	10,700
Net operating lease obligation	$ 97,152

Contract Manufacturer Commitments

Our independent contract manufacturer procures components and assembles our products based on our forecasts. These forecasts are based on estimates of future demand for our products, which are in turn based on historical trends and an analysis from our sales and product marketing organizations, adjusted for overall market conditions. In order to reduce manufacturing lead times and plan for adequate supply, we may issue forecasts and orders for components and products that are non-cancelable. Obligations under contracts that we can cancel without a significant penalty are not included. As of April 30, 2014, we had $29,407,000 of open orders.

Litigation

In December 2011, Juniper Networks, Inc. ("Juniper") filed a complaint against us in the United States District Court for the District of Delaware alleging patent infringement. The complaint sought preliminary and permanent injunctions against

infringement, treble damages, and attorneys' fees. On September 4, 2012, Juniper filed a motion to amend its complaint to allege that our appliances infringe two additional U.S. patents but also to withdraw its allegations as to a previously-asserted patent. This amended complaint was officially filed on September 25, 2012, pursuant to a stipulation between the parties. On October 12, 2012, we filed an answer to Juniper's amended complaint, which denied that we infringed Juniper's patents and asserted that Juniper's patents were invalid. The Court issued an order on February 6, 2014, in which the Court construed several disputed claim limitations, granted Juniper's motion for summary judgment of assignor estoppel, precluding us from raising in the litigation challenges to the validity of Juniper's patents, denied Juniper's motion for summary judgment of infringement, and granted in part and denied in part our motion for summary judgment of non-infringement. A trial took place in February 2014. Following the trial, the jury was unable to reach a verdict and the Court declared a mistrial.

On September 13, 2012, we filed with the U.S. Patent and Trademark Office requests for inter partes reexamination of five of the six patents asserted by Juniper in its original complaint. On October 19 and December 3, 2012, the U.S. Patent and Trademark Office granted our requests for reexamination for three patents, rejecting a number of the claims asserted in the litigation, and on November 15 and 26, 2012, the U.S. Patent and Trademark Office denied our requests for reexamination as to two other patents. On June 20, 2013 and July 23, 2013, we filed with the U.S. Patent and Trademark Office petitions for inter partes review for two other patents asserted by Juniper in the litigation. A hearing to resolve claim construction issues, as well as motions for summary judgment, was heard on November 15, 2013.

On September 30, 2013, we filed a lawsuit against Juniper in the United States District Court for the Northern District of California. The lawsuit alleged that Juniper's products infringe three of our U.S. patents, and sought monetary damages and a permanent injunction. On November 21, 2013, Juniper filed an answer and counterclaims in a separate action in the United States District Court for the Northern District of California. In its counterclaims Juniper sought a declaration that the asserted patents owned by us are not infringed and are invalid. Juniper's counterclaims also asserted that our products infringe three additional Juniper patents.

On May 27, 2014, we entered into a Settlement, Release and Cross-License Agreement (the “settlement agreement”) with Juniper to resolve all pending litigation between the parties, including those discussed above. Refer to Note 12 Subsequent Events for more information on the settlement agreement.

In addition to the above matter, we are subject to legal proceedings, claims, and litigation arising in the ordinary course of business, including intellectual property litigation. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. We accrue for contingencies when we believe that a loss is probable and that we can reasonably estimate the amount of any such loss. We have made an assessment of the probability of incurring any such losses and whether or not those losses are estimable.

To the extent there is a reasonable possibility that a loss exceeding amounts already recognized may be incurred and the amount of such additional loss would be material, we will either disclose the estimated additional loss or state that such an estimate cannot be made.

7. Mutual Covenant Not to Sue and Release Agreement

On January 27, 2014, we executed a Mutual Covenant Not to Sue and Release Agreement with Fortinet, Inc., thereby extending an existing covenant for six more years. We evaluated the transaction as a multiple-element arrangement and allocated the one-time payment that we made in the amount of $20,000,000 to each identifiable element using its relative fair value. Based on our estimates of fair value, we determined that the primary benefit of the arrangement is avoided litigation cost and the release of any potential past claims, with no material value attributable to future use or benefit. Accordingly, we recorded a $20,000,000 settlement charge within operating expenses during the three months ended January 31, 2014.

8. Equity Award Plans

Stock Option Activities

A summary of the activity under our stock plans and changes during the reporting period and a summary of information related to options exercisable, vested, and expected to vest are presented below (in thousands, except per share amounts):

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance—July 31, 2013	10,033	$ 11.74	7.8	$ 373,228
Options granted	—	—		
Options forfeited	(488)	15.17		
Options exercised	(2,949)	8.62		
Balance—April 30, 2014	6,596	12.88	7.3	$ 334,417
Options vested and expected to vest—April 30, 2014	6,410	$ 12.77	7.3	$ 325,692
Options exercisable—April 30, 2014	3,668	$ 10.25	7.0	$ 195,614

Restricted Stock Units (RSUs) Activities

A summary of the activity under our stock plans and changes during the reporting period and a summary of information related to RSUs vested and expected to vest are presented below (in thousands, except per share amounts):

	RSUs Outstanding			
	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance—July 31, 2013	2,241	$ 54.36	1.5	$ 109,675
RSUs granted	4,073	56.77		
RSUs vested	(646)	55.95		
RSUs forfeited	(358)	55.29		
Balance—April 30, 2014	5,310	$ 55.95	1.5	$ 337,610
RSUs vested and expected to vest—April 30, 2014	4,782	$ 55.89	1.4	$ 304,040

Shares Available for Grant

The following table presents the stock activity and the total number of shares available for grant as of April 30, 2014 (in thousands):

	Number of Shares
Balance—July 31, 2013	8,932
Authorized	3,223
RSUs granted	(4,073)
Repurchased	27
Options forfeited	488
RSUs forfeited	358
Balance—April 30, 2014	8,955

Employee Stock Purchase Plan (ESPP)

Compensation expense recognized in connection with the 2012 Employee Stock Purchase Plan was $1,142,000 and $3,217,000 for the three and nine months ended April 30, 2014, respectively, and $1,132,000 and $3,943,000 for the three and nine months ended April 30, 2013, respectively.

Share-Based Compensation

The following table summarizes the assumptions used to value grants related to the 2012 ESPP in each period:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
Risk-free interest rate	0.1%	0.1%	0.1%	0.1%
Expected term (years)	<1 year	<1 year	<1 year	<1 year
Volatility	41%	41%	40%	41%
Dividend yield	—%	—%	—%	—%

The following table summarizes share-based compensation included in costs and expenses (in thousands):

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
Cost of revenue	$ 3,156	$ 1,364	$ 7,311	$ 2,799
Research and development	8,666	3,024	17,825	6,687
Sales and marketing	12,372	5,686	29,050	13,919
General and administrative	3,798	2,560	12,601	6,325
Total	$ 27,992	$ 12,634	$ 66,787	$ 29,730

At April 30, 2014, total compensation cost related to unvested share-based awards granted to employees under our stock plans but not yet recognized was $282,866,000, net of estimated forfeitures. This cost is expected to be amortized on a straight-line basis over a weighted-average period of three years. Future grants will increase the amount of compensation expense to be recorded in these periods.

During the nine months ended April 30, 2014, we accelerated the vesting of certain share-based awards and as a result, in the three and nine months ended April 30, 2014, we recorded compensation expense within general and administrative expense of $62,000 and $3,446,000, respectively.

During the three months ended October 31, 2012, we modified the terms of certain share-based awards and as a result, in the three and nine months ended April 30, 2013, we recorded compensation expense within sales and marketing expense of nil and $1,861,000, respectively.

9. Income Taxes

Our provision for income taxes for the three and nine months ended April 30, 2014 reflects an effective tax rate of negative 1% and negative 3%, respectively. Our effective tax rates for these periods were negative due to the fact that we recorded a provision for income taxes on year-to-date losses. The key components of our income tax provision, and the related effective tax rate, consist of foreign tax losses which derive no benefit, non-deductible share-based compensation and foreign withholding taxes. As compared to the same periods last year, our negative effective tax rate changed due to fluctuations in our overall loss before income taxes and the geographic mix of income due to global expansion.

Our provision for income taxes for the three and nine months ended April 30, 2013 reflects an effective tax rate of negative 12% and negative 14%, respectively, and consists of foreign income and withholding taxes.

10. Net Income (Loss) Per Share

Basic net income (loss) per common share is computed by dividing net income (loss) by basic weighted-average shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) by diluted weighted-average shares outstanding, including potentially dilutive securities.

The following table presents the computation of basic and diluted net loss per share of common stock (in thousands, except per share data):

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
Net loss	$ (146,587)	$ (7,282)	$ (194,394)	$ (13,410)
Weighted-average shares used to compute net loss per share, basic and diluted	74,967	69,575	73,127	67,980
Net loss per share, basic and diluted	$ (1.96)	$ (0.10)	$ (2.66)	$ (0.20)

The following outstanding options, RSUs, and ESPP shares were excluded from the computation of diluted net loss per common share for the periods presented as their effects would have been antidilutive (in thousands):

	April 30, 2014	April 30, 2013
Options to purchase common stock	6,596	10,637
RSUs	5,310	1,798
ESPP shares	41	—

11. Related Party Transactions

Certain members of our board of directors serve as board members or executive officers of certain of our customers and in some cases are also investors of these customers. We believe these transactions with related party customers are carried out on terms that are consistent with similar transactions with our comparable customers. We had sales transactions with significant related party customers of $1,619,000 and $3,776,000 for the three and nine months ended April 30, 2014, respectively, and $903,000 and $2,381,000 for the three and nine months ended April 30, 2013, respectively. Amounts payable to and due from related party customers were not material at April 30, 2014.

12. Subsequent Events

On May 27, 2014, we entered into a Settlement, Release and Cross-License Agreement with Juniper, whereby we resolved all pending litigation matters. Under the terms of the settlement agreement, we agreed to pay Juniper a one-time settlement amount of approximately $175,000,000, which was comprised of $75,000,000 in cash, 1,081,000 shares of our common stock with an approximate value of $70,000,000, and a warrant to purchase 463,000 shares of our common stock with an approximate value of $30,000,000, in exchange for the following:

- Mutual dismissal with prejudice of all pending litigation between the parties and general release of all liability for Palo Alto Networks and Juniper,
- Cross-license between both parties for the patents-in-suit and associated family members and counterparts worldwide for the life of the patents, and
- Mutual covenant not to sue for infringement of any other patents for a period of eight years.

For accounting purposes, the fair value of the total consideration as of the settlement date was $182,473,000 . The fair values of the common stock and warrant were measured using the closing price of our common stock on the settlement date.

We accounted for the settlement agreement as a multiple element arrangement and allocated the fair value of the consideration as of the settlement date to the identifiable elements based on their estimated fair values. Of the total settlement amount, $61,300,000 was allocated to the licensing of intellectual property, $54,300,000 was allocated to the mutual dismissal of claims, and the remaining amount was allocated to the mutual covenant not to sue. The mutual dismissal of claims and the covenant not to sue have no identifiable future benefit, and as a result we accrued a settlement charge within operating expenses as of and for the three and nine months ended April 30, 2014. The licensing of intellectual property will be recorded in our fiscal fourth quarter and will be amortized over the estimated period of benefit of five years.

The warrant entitles Juniper to purchase up to 463,000 shares of common stock at an exercise price of $0.0001 per share and will expire seven months from the date of its issuance. Once issued, the liability-classified warrant will be remeasured through earnings at the end of each reporting period until exercised. The amount of future remeasurement is undeterminable and will be driven predominantly by increases or decreases in our stock price.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, among other things: statements regarding trends in revenue, cost of revenue, gross margin, cash flows, operating expenses, including future share-based compensation expense, interest and other income, income taxes, investments and liquidity; expected growth in our installed base, the sufficiency of our existing cash and investments to meet our cash needs for the foreseeable future; and other statements regarding our future operations, financial condition and prospects, and business strategies. Forward-looking statements generally can be identified by words such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "predicts," "projects," "would," "will be," "will continue," "will likely result," and similar expressions. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q, and in particular, the risks discussed under the caption "Risk Factors" in Part II, Item 1A of this report and those discussed in other documents we file with the Securities and Exchange Commission. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is organized as follows:

- ***Overview.*** Discussion of our business and overall analysis of financial and other highlights in order to provide context for the remainder of MD&A.

- ***Key Financial Metrics.*** An analysis of our Generally Accepted Accounting Principles (GAAP) and non-GAAP key financial metrics, which management monitors to evaluate our performance.

- ***Financial Overview.*** Discussion of the nature and trends of components of our financial results.

- ***Results of Operations.*** An analysis of our financial results comparing the three and nine months ended April 30, 2014 to the three and nine months ended April 30, 2013.

- ***Liquidity and Capital Resources.*** An analysis of changes in our balance sheets and cash flows, and discussion of our financial condition and our ability to meet cash needs.

- ***Critical Accounting Policies and Estimates.*** A discussion of accounting policies that require critical estimates, assumptions, and judgments.

- ***Recent Accounting Pronouncements.*** A discussion of expected impacts of impending accounting changes on financial information to be reported in the future.

- ***Available Information.*** A discussion of sources of additional information available to investors.

Overview

We have pioneered the next-generation of enterprise security with our innovative platform that allows enterprises, service providers, and government entities to simultaneously empower and secure their organizations by safely enabling the increasingly complex and rapidly growing number of applications running on their networks and by preventing breaches stemming from targeted cyber attacks. Our enterprise security platform consists of three major elements: our Next-Generation Firewall, our Next-Generation Endpoint Protection, and our Next-Generation Threat Intelligence Cloud. Our Next-Generation Firewall delivers application, user, and content visibility and control as well as protection against network based cyber threats integrated within the firewall through our proprietary hardware and software architecture. Our Next-Generation Endpoint Protection protects against cyber attacks that aim to exploit software vulnerabilities on a broad variety of fixed and virtual endpoints. Our Next-Generation Threat Intelligence Cloud provides central intelligence capabilities as well as automated delivery of preventative measures against cyber attacks. The cloud-based element of our platform is delivered in the form of a service that can be used either in the public cloud or in a private cloud using our dedicated WildFire appliance, WF-500.

We derive revenue from sales of our products and services, which together comprise our platform. Product revenue is generated from sales of our Next-Generation Firewall, which is available in hardware and virtualized form factors. Our Next-Generation Firewall incorporates our proprietary PAN-OS operating system, which provides a consistent set of capabilities across our entire product line. These capabilities include: application visibility and control (App-ID), user identification (User-ID), site-to-site virtual private network (VPN), remote access Secure Sockets Layer (SSL) VPN, and Quality-of-Service (QoS). Our

products are designed for different performance requirements throughout an organization, ranging from the PA-200, which is designed for enterprise remote offices, to the PA-7050, which is designed for data centers and high-speed networks. The same firewall functionality that is delivered in the hardware appliances is also available in the VM-Series virtual firewalls, which secure virtualized and cloud-based computing environments. Multiple firewalls can leverage our WildFire appliance, WF-500, which identifies, analyzes, and blocks known and unknown malware in a private cloud-based environment. Our platform can be centrally managed in both virtualized and hardware appliances across an organization with our Panorama product. In addition, our GlobalProtect appliance, GP-100, provides mobile device management, malware detection, and shares device state information to safely enable mobile devices for business use.

Services revenue is generated from sales of subscriptions, including our Next-Generation Endpoint Protection, and support and maintenance. Our Threat Prevention, URL Filtering, GlobalProtect, and WildFire subscriptions provide our end-customers with real-time access to the latest antivirus, intrusion prevention, web filtering, and modern malware prevention capabilities across fixed and mobile devices. Our Next-Generation Endpoint Protection protects against cyber attacks that exploit software vulnerabilities in Windows-based fixed and virtual endpoints through the use of its unique capability of stopping the underlying exploit techniques, and can prevent cyber attacks without relying on prior knowledge of the attack. When end-customers purchase an appliance, they typically purchase one or more of our subscriptions for additional functionality, as well as support and maintenance in order to receive ongoing security updates, upgrades, bug fixes, and repairs. We leverage our appliances to sell SaaS (software as a service) subscription services to meet our customers' evolving enterprise security requirements. Our hybrid SaaS revenue model consists of product, subscriptions, and support and maintenance, which will enable us to benefit from recurring revenues as we continue to grow our installed base. Sales of these services increase our deferred revenue balance and contribute significantly to our positive cash flow provided by operating activities.

We maintain a field sales force that works closely with our channel partners in developing sales opportunities. We use a two-tier, indirect fulfillment model whereby we sell our products and services to our global distributor channel partners, which, in turn, sell our products and services to our reseller network, which then sell to our end-customers. Our channel partners purchase our products and services at a discount to our list prices before reselling them to our end-customers. Our channel partners generally receive an order from an end-customer prior to placing an order with us and generally do not stock appliances.

We continue to invest in innovation and strengthening our product portfolio, which resulted in several new product offerings during fiscal 2014. These new product offerings include: the PA-7050 firewall, the fastest Next-Generation Firewall in the industry with a throughput of 120Mbps; the GP-100 mobile security management appliance, which offers an easy to deploy, high-performance, dedicated management appliance for our GlobalProtect customers; and the VM-1000-HV virtual Next-Generation Firewall, which is fully integrated with VMware, Inc.'s NSX virtualization platform.

In addition, we extended our next-generation enterprise security platform and our technology leadership with the acquisitions of Cyvera Ltd. ("Cyvera") and Morta Security, Inc. ("Morta"). Cyvera's offering protects enterprises from cyber threats by using an innovative approach to block unknown, zero-day attacks on the endpoint. Through fiscal 2015, we intend to invest approximately $3.5 million in the forth quarter of fiscal 2014 and $25.0 million in fiscal 2015 in research and development, customer support, and growing our Next-Generation Endpoint Protection sales force. We anticipate billings (non-GAAP) and revenue of our Next-Generation Endpoint will begin ramping in the second half of fiscal 2015 with a more meaningful revenue contribution in fiscal 2016. Morta provides a team of cybersecurity experts that will enhance our WildFire threat detection and prevention offering. These enhancements enable quick discovery and elimination of previously unknown malware, zero-day exploits, and advanced persistent threats.

During the third quarter of fiscal 2014, we added more than 1,300 end-customers including some of the largest Fortune 100 and Global 2000 companies in the world. As of April 30, 2014, we had more than 17,000 end-customers in over 130 countries. Our end-customers represent a broad range of industries including education, energy, financial services, government entities, healthcare, Internet and media, manufacturing, public sector, and telecommunications. As of April 30, 2014, we had 1,556 employees.

We have experienced rapid growth and increased demand for our products in recent periods. For the third quarter of fiscal 2014 and 2013, revenues were $150.7 million and $101.3 million, respectively, representing year-over-year growth of 48.8%, despite continued uncertainty in the macroeconomic environment. These macroeconomic factors may continue to impact overall spending in information technology (IT) by our customers, which could adversely affect our revenues and operating results.

All three components of our hybrid SaaS revenue model experienced year-over-year growth, led by revenue from subscription services, which grew 71.4% to $32.0 million, followed by support and maintenance services, which grew 58.4% to $34.6 million, and product, which grew 38.4% to $84.1 million. The growth reflected increasing recurring revenue in our business model and rapid adoption of high margin subscription services in our base of end-customers.

In May 2014, we entered into a Settlement, Release and Cross-License Agreement ("settlement agreement") with Juniper Networks, Inc. ("Juniper"). Under the terms of the settlement agreement, we agreed to pay to Juniper $75.0 million in cash and transfer 1.1 million shares of our common stock with an approximate value of $70.0 million and a warrant to purchase 0.5 million

shares of our common stock with an approximate value of $30.0 million. The terms of the settlement agreement provide for mutual dismissal with prejudice of all pending litigation between the parties, cross-license of the patents in suit for the life of the patents, and an eight-year mutual covenant not to sue for infringement of any other patents. The settlement with Juniper resolves all pending litigation matters between us and will allow us to further focus on innovating and strengthening our product portfolio, servicing our customers, and growing our business.

We believe that the growth of our business and our short-term and long-term success are dependent upon many factors, including our ability to extend our technology leadership, grow our base of end-customers, expand deployment of our platform and services within existing end-customers, extend the length of service terms within existing end-customers, and focus on end-customer satisfaction. While these areas present significant opportunities for us, they also pose challenges and risks that we must successfully address in order to sustain the growth of our business and improve our operating results.

To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems and controls, and our ability to manage headcount, capital, and processes in an efficient manner. Additionally, we face intense competition in our market, and to succeed, we need to innovate and offer products that are differentiated from existing infrastructure products, as well as effectively hire, retain, train, and motivate qualified personnel and senior management. If we are unable to successfully address these challenges, our business, operating results, and prospects could be adversely affected.

Key Financial Metrics

We monitor the key financial metrics set forth below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. We discuss revenue, gross margin, and the components of operating loss and margin below under "—Financial Overview" and "—Results of Operations." The following tables summarize deferred revenue, cash flow provided by operating activities, free cash flow (non-GAAP), and billings (non-GAAP).

	April 30, 2014	July 31, 2013
	(in thousands)	
Total deferred revenue	$ 367,933	$ 249,230
Cash, cash equivalents, and investments	$ 471,872	$ 436,935

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
	(dollars in thousands)			
Total revenue	$ 150,700	$ 101,289	$ 419,948	$ 283,722
Year-over-year percentage increase	48.8 %	54.2 %	48.0 %	58.1 %
Gross margin percentage	73.6 %	72.7 %	73.6 %	72.0 %
Operating loss [(1)(2)(3)(4)]	$ (145,732)	$ (6,450)	$ (189,899)	$ (11,738)
Operating margin percentage	(96.7)%	(6.4)%	(45.2)%	(4.1)%
Billings (non-GAAP)	$ 193,890	$ 132,410	$ 538,499	$ 367,218
Cash flow provided by operating activities			$ 114,556	$ 72,789
Free cash flow (non-GAAP)			$ 83,177	$ 56,194

(1) Includes share-based compensation expense of $28.0 million and $66.8 million for the three and nine months ended April 30, 2014, respectively, and $12.6 million and $29.7 million for the three and nine months ended April 30, 2013, respectively.
(2) Includes intellectual property litigation expense of $4.7 million and $9.3 million for the three and nine months ended April 30, 2014, respectively, and $1.3 million and $2.3 million for the three and nine months ended April 30, 2013, respectively.
(3) Includes legal settlement expense of $121.2 million and $141.2 million for the three and nine months ended April 30, 2014, respectively, and nil for the three and nine months ended April 30, 2013.
(4) Includes acquisition transaction costs of $3.6 million and $4.0 million for the three and nine months ended April 30, 2014, respectively, and nil for the three and nine months ended April 30, 2013.

- ***Deferred Revenue.*** Our deferred revenue consists of amounts that have been invoiced but that have not yet been recognized as revenue as of the period end. The majority of our deferred revenue balance consists of subscription and support and maintenance revenue that is recognized ratably over the contractual service period. We monitor our deferred revenue balance because it represents a significant portion of revenue to be recognized in future periods.

- ***Cash Flow Provided by Operating Activities.*** We monitor cash flow provided by operating activities as a measure of our overall business performance. Our cash flow provided by operating activities is driven in large part by sales of our products and from up-front payments for both subscriptions and support and maintenance services. Monitoring cash flow provided by operating activities enables us to analyze our financial performance without the non-cash effects of certain items such as depreciation, amortization, and share-based compensation costs, thereby allowing us to better understand and manage the cash needs of our business.

- ***Free Cash Flow (non-GAAP).*** We define free cash flow, a non-GAAP financial measure, as cash provided by operating activities less purchases of property, equipment, and other assets. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the purchases of property, equipment, and other assets, can be used for strategic opportunities, including investing in our business, making strategic acquisitions, and strengthening the balance sheet. However, it is important to note that other companies, including companies in our industry, may not use free cash flow, may calculate free cash flow differently, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a comparative measure. A reconciliation of free cash flow to cash flow provided by operating activities, the most directly comparable financial measure calculated and presented in accordance with GAAP, is provided below:

	Nine Months Ended April 30,	
	2014	2013
	(in thousands)	
Cash Flow:		
Cash flow provided by operating activities	$ 114,556	$ 72,789
Less: purchase of property, equipment, and other assets	31,379	16,595
Free cash flow (non-GAAP)	$ 83,177	$ 56,194
Net cash used in investing activities	$ (229,306)	$ (196,637)
Net cash provided by financing activities	$ 38,926	$ 14,870

- ***Billings (non-GAAP).*** We define billings, a non-GAAP financial measure, as total revenue plus the change in deferred revenue, net of acquired deferred revenue, during the period. Billings is a key measure used by our management to manage our business because billings drive deferred revenue, which is an important indicator of the health and visibility of our business. We consider billings to be a useful metric for management and investors, particularly as we experience increased sales of subscriptions and strong renewal rates for subscriptions and support and maintenance services, and monitor our near term cash flows. We believe that billings provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management. However, it is important to note that other companies, including companies in our industry, may not use billings, may calculate billings differently, may have different billing frequencies, or may use other financial measures to evaluate their performance, all of which could reduce the usefulness of billings as a comparative measure. A reconciliation of billings to revenue, the most directly comparable financial measure calculated and presented in accordance with GAAP, is provided below:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
	(in thousands)			
Billings (non-GAAP):				
Total revenue	$ 150,700	$ 101,289	$ 419,948	$ 283,722
Add: change in total deferred revenue, net of acquired deferred revenue	43,190	31,121	118,551	83,496
Billings (non-GAAP)	$ 193,890	$ 132,410	$ 538,499	$ 367,218

Financial Overview

Revenue

We derive revenue from sales of our products and services. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured.

Our total revenue is comprised of the following:

- ***Product Revenue*.** The substantial majority of our product revenue is derived from sales of our appliances. Product revenue also includes revenue derived from software licenses of Panorama, Virtual Systems Upgrades, and the VM-Series. We recognize product revenue at the time of shipment, provided that all other revenue recognition criteria have been met. As a percentage of total revenue, we expect our product revenue to vary from quarter to quarter based on seasonal and cyclical factors.

- ***Services Revenue*.** Services revenue is derived primarily from Threat Prevention, URL Filtering, GlobalProtect, and WildFire subscriptions and support and maintenance. Revenue from our Next-Generation Endpoint Protection is immaterial for the three and nine months ended April 30, 2014. We expect that revenue from our Next-Generation Endpoint Protection will increase in the future. Threat Prevention, URL Filtering, GlobalProtect, and WildFire subscriptions are priced as a percentage of the appliance's list price. Our contractual subscription and support and maintenance terms are typically one to five years. We recognize revenue from subscriptions and support and maintenance over the contractual service period. As a percentage of total revenue, we expect our services revenue to vary from quarter to quarter and increase over the long term as we introduce new subscriptions, renew existing services contracts, and expand our end-customer base.

Cost of Revenue

Our total cost of revenue consists of cost of product revenue and cost of services revenue. Our cost of revenue includes costs paid to our third-party contract manufacturer and personnel costs, which consist of salaries, bonuses, and share-based compensation associated with our operations and global customer support organizations. Our cost of revenue also includes allocated costs, which consist of certain facilities, depreciation, benefits, recruiting, and information technology costs that we allocate based on headcount, and amortization expense of intangible assets.

- ***Cost of Product Revenue.*** Cost of product revenue primarily includes costs paid to our third-party contract manufacturer. Our cost of product revenue also includes product testing costs, allocated costs, warranty costs, shipping costs, and personnel costs associated with logistics and quality control. We expect our cost of product revenue to increase as our product revenue increases.

- ***Cost of Services Revenue.*** Cost of services revenue includes personnel costs for our global customer support organization, amortization expense of intangible assets acquired, allocated costs, and URL filtering database service fees. We expect our cost of services revenue to increase as our end-customer base grows.

Gross Margin

Gross margin, or gross profit as a percentage of revenue, has been and will continue to be affected by a variety of factors, including the average sales price of our products, manufacturing costs, the mix of products sold, and the mix of revenue between products and services. For sales of our products, our higher throughput firewall products generally have higher gross margins than our lower throughput firewall products within each product series. For sales of our services, our subscriptions typically have higher gross margins than our support and maintenance. We expect our gross margins to fluctuate over time depending on the factors described above.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, general and administrative expense, and legal settlement expense. Personnel costs are the most significant component of operating expenses and consist of salaries, benefits, bonuses, share-based compensation, and with regard to sales and marketing expense, sales commissions. We expect operating expenses to increase in absolute dollars, although they may fluctuate as a percentage of revenue from quarter to quarter, as we continue to grow in response to demand for our products and services. As of April 30, 2014, we expect to recognize approximately $282.9 million of share-based compensation over a weighted-average period of three years, excluding additional share-based compensation related to any future grants of share-based awards. Share-based compensation, net of forfeitures, is recognized on a straight-line basis over the requisite service periods of the awards.

- ***Research and Development.*** Research and development expense consists primarily of personnel costs. Research and development expense also includes prototype related expenses and allocated costs. We expect research and

development expense to increase in absolute dollars as we continue to invest in our future products and services, although our research and development expense may fluctuate as a percentage of total revenue.

- ***Sales and Marketing.*** Sales and marketing expense consists primarily of personnel costs including commission costs. We expense commission costs as incurred. Sales and marketing expense also includes costs for market development programs, promotional and other marketing costs, travel costs, professional services, and allocated costs. We continue to increase the size of our sales force and have also substantially grown our sales presence internationally. We expect sales and marketing expense to continue to increase in absolute dollars as we increase the size of our sales and marketing organizations to increase touch points with end-customers and to expand our international presence, although our sales and marketing expense may fluctuate as a percentage of total revenue.

- ***General and Administrative.*** General and administrative expense consists of personnel costs as well as professional services and certain non-recurring general expenses. General and administrative personnel include our executive, finance, human resources, and legal organizations. Professional services consist primarily of legal, auditing, accounting, and other consulting costs. We expect general and administrative expense to increase in absolute dollars due to additional costs associated with accounting, compliance, insurance, and investor relations, although our general and administrative expense may fluctuate as a percentage of total revenue.

- ***Legal Settlement.*** Legal settlement expense consists of charges related to the settlement agreement with Juniper and the Mutual Covenant Not to Sue and Release Agreement with Fortinet, Inc. ("Fortinet"). Refer to the discussion under Note 12 Subsequent Events and Note 7 Mutual Covenant Not to Sue and Release Agreement of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for information related to these matters.

Interest Income

Interest income consists of income earned on our cash, cash equivalents, and investments. We expect interest income will increase as we grow our cash and investments portfolio depending on our average investment balances during the period, types and mix of investments, and market interest rates.

Other Income (Expense), Net

Other income (expense), net consists primarily of foreign currency re-measurement gains and losses and foreign currency transaction gains and losses. We expect other income (expense), net to fluctuate depending on foreign exchange rate movements.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in foreign jurisdictions in which we conduct business, withholding taxes, and federal and state income taxes in the United States. We maintain a full valuation allowance for domestic deferred tax assets, including net operating loss carryforwards and tax credits. We expect the provision for income taxes to increase in future years. We implemented our corporate structure and intercompany relationships to more closely align with the international nature of our business in the fourth quarter of fiscal 2013. Income in certain countries may be taxed at statutory tax rates that are lower than the U.S. statutory tax rate. As a result, our overall effective tax rate over the long term may be lower than the U.S. federal statutory tax rate on positive income through changes in international procurement and sales operations.

Results of Operations

The following tables summarize our results of operations for the periods presented and as a percentage of our total revenue for those periods. The period to period comparison of results is not necessarily indicative of results for future periods.

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
	(in thousands)			
Condensed Consolidated Statements of Operations Data:				
Revenue:				
Product	$ 84,128	$ 60,793	$ 240,436	$ 178,251
Services	66,572	40,496	179,512	105,471
Total revenue	150,700	101,289	419,948	283,722
Cost of revenue:				
Product	20,425	15,855	58,600	46,907
Services	19,285	11,835	52,421	32,591
Total cost of revenue	39,710	27,690	111,021	79,498
Total gross profit	110,990	73,599	308,927	204,224
Operating expenses:				
Research and development	27,837	16,048	71,983	44,855
Sales and marketing	83,995	51,733	228,095	140,136
General and administrative	23,717	12,268	57,575	30,971
Legal settlement	121,173	—	141,173	—
Total operating expenses	256,722	80,049	498,826	215,962
Operating loss	(145,732)	(6,450)	(189,899)	(11,738)
Interest income	272	133	619	347
Other income (expense), net	145	(157)	11	(387)
Loss before income taxes	(145,315)	(6,474)	(189,269)	(11,778)
Provision for income taxes	1,272	808	5,125	1,632
Net loss	$ (146,587)	$ (7,282)	$ (194,394)	$ (13,410)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
	(as a percentage of revenue)			
Condensed Consolidated Statements of Operations Data:				
Revenue:				
Product	55.8 %	60.0 %	57.3 %	62.8 %
Services	44.2 %	40.0 %	42.7 %	37.2 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue:				
Product	13.6 %	15.7 %	14.0 %	16.5 %
Services	12.8 %	11.6 %	12.4 %	11.5 %
Total cost of revenue	26.4 %	27.3 %	26.4 %	28.0 %
Total gross profit	73.6 %	72.7 %	73.6 %	72.0 %
Operating expenses:				
Research and development	18.5 %	15.8 %	17.1 %	15.8 %
Sales and marketing	55.7 %	51.1 %	54.3 %	49.4 %
General and administrative	15.7 %	12.2 %	13.8 %	10.9 %
Legal settlement	80.4 %	— %	33.6 %	— %
Total operating expenses	170.3 %	79.1 %	118.8 %	76.1 %
Operating loss	(96.7)%	(6.4)%	(45.2)%	(4.1)%
Interest income	0.2 %	0.1 %	0.1 %	0.1 %
Other income (expense), net	0.1 %	(0.2)%	— %	(0.1)%
Loss before income taxes	(96.4)%	(6.5)%	(45.1)%	(4.1)%
Provision for income taxes	0.9 %	0.8 %	1.2 %	0.6 %
Net loss	(97.3)%	(7.3)%	(46.3)%	(4.7)%

Comparison of the Three and Nine Month Periods Ended April 30, 2014 and 2013

Revenue

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2014	2013	Change		2014	2013	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
				(dollars in thousands)				
Revenue:								
Product	$ 84,128	$ 60,793	$ 23,335	38.4%	$ 240,436	$ 178,251	$ 62,185	34.9%
Service								
Subscription	32,005	18,677	13,328	71.4%	85,619	49,553	36,066	72.8%
Support and maintenance	34,567	21,819	12,748	58.4%	93,893	55,918	37,975	67.9%
Total service	66,572	40,496	26,076	64.4%	179,512	105,471	74,041	70.2%
Total revenue	$ 150,700	$ 101,289	$ 49,411	48.8%	$ 419,948	$ 283,722	$ 136,226	48.0%
Revenue by geographic theater:								
Americas	$ 98,689	$ 63,233	$ 35,456	56.1%	$ 275,724	$ 178,169	$ 97,555	54.8%
EMEA	32,326	23,154	9,172	39.6%	89,299	67,048	22,251	33.2%
APAC	19,685	14,902	4,783	32.1%	54,925	38,505	16,420	42.6%
Total revenue	$ 150,700	$ 101,289	$ 49,411	48.8%	$ 419,948	$ 283,722	$ 136,226	48.0%

Product revenue increased $23.3 million, or 38.4%, for the three months ended April 30, 2014 compared to the three months ended April 30, 2013. The increase was driven by increased demand for our higher end appliances.

Product revenue increased $62.2 million, or 34.9%, for the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013. The increase was driven by increased demand for our higher end appliances.

Service revenue increased $26.1 million, or 64.4%, for the three months ended April 30, 2014 compared to the three months ended April 30, 2013. The increase was driven by a 71.4% increase in our subscription revenue and a 58.4% increase in our support and maintenance revenue due to increased sales to new and existing end-customers. The relative increases in subscriptions and support and maintenance will fluctuate over time, depending on the mix of services revenue and the introduction of new services offerings.

Service revenue increased $74.0 million, or 70.2%, for the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013. The increase was driven by a 72.8% increase in our subscription revenue and a 67.9% increase in our support and maintenance revenue due to increased sales to new and existing end-customers. The relative increases in subscriptions and support and maintenance will fluctuate over time, depending on the mix of services revenue and the introduction of new services offerings.

With respect to geographic theaters, the Americas contributed the largest portion of the increase in revenue for the three and nine months ended April 30, 2014 compared to the three and nine months ended April 30, 2013 due to its larger and more established sales force compared to our other theaters. Revenue from both EMEA and APAC increased for the three and nine months ended April 30, 2014 compared to the three and nine months ended April 30, 2013 due to our investment in our sales force and number of partners in these theaters.

Cost of Revenue and Gross Margin

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2014		2013		2014		2013	
	Amount	Gross Margin	Amount	Gross Margin	Amount	Gross Margin	Amount	Gross Margin
	(dollars in thousands)							
Cost of revenue:								
Product	$ 20,425		$ 15,855		$ 58,600		$ 46,907	
Services	19,285		11,835		52,421		32,591	
Total cost of revenue	$ 39,710		$ 27,690		$ 111,021		$ 79,498	
Gross profit:								
Product	$ 63,703	75.7 %	$ 44,938	73.9 %	$ 181,836	75.6 %	$ 131,344	73.7 %
Services	47,287	71.0 %	28,661	70.8 %	127,091	70.8 %	72,880	69.1 %
Total gross profit	$ 110,990	73.6 %	$ 73,599	72.7 %	$ 308,927	73.6 %	$ 204,224	72.0 %

Product cost increased $4.6 million, or 28.8%, for the three months ended April 30, 2014 compared to the three months ended April 30, 2013 due to an increase in product unit volume.

Product cost increased $11.7 million, or 24.9%, for the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013 due to an increase in product unit volume.

Service cost increased $7.5 million, or 62.9%, for the three months ended April 30, 2014 compared to the three months ended April 30, 2013 due to an increase in personnel costs of $4.3 million related to increasing our headcount, allocated costs of $1.4 million, and other costs incurred to expand our customer service capabilities to support our growing end-customer base.

Service cost increased $19.8 million, or 60.8%, for the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013 due to an increase in personnel costs of $10.5 million related to increasing our headcount, allocated costs of $4.3 million, professional services costs of $1.4 million, and other costs incurred to expand our customer service capabilities to support our growing end-customer base.

Gross margin increased 90 basis points for the three months ended April 30, 2014 compared to the three months ended April 30, 2013. The increase of 180 basis points in product margin was equally due to increased demand for our higher end appliances and continued focus on material cost reductions. The increase of 20 basis points in services margin was driven by an increase of 80 basis points due to contributions from our higher margin subscription services, partially offset by a 60 basis points decrease due to amortization of purchased intangible assets.

Gross margin increased 160 basis points for the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013. The increase of 190 basis points in product margin was due to increased demand for our higher end appliances. The increase of 170 basis points in services margin was due to contributions from our higher margin subscription services.

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Operating Expenses

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2014	2013	Change		2014	2013	Change	
	Amount	Amount	Amount	%	Amount	Amount	Amount	%
	(dollars in thousands)							
Operating expenses:								
Research and development	$ 27,837	$ 16,048	$ 11,789	73.5%	$ 71,983	$ 44,855	$ 27,128	60.5%
Sales and marketing	83,995	51,733	32,262	62.4%	228,095	140,136	87,959	62.8%
General and administrative	23,717	12,268	11,449	93.3%	57,575	30,971	26,604	85.9%
Legal settlement	121,173	—	121,173	N/A	141,173	—	141,173	N/A
Total operating expenses	$ 256,722	$ 80,049	$ 176,673	220.7%	$ 498,826	$ 215,962	$ 282,864	131.0%
Includes share-based compensation of:								
Research and development	$ 8,666	$ 3,024	$ 5,642	186.6%	$ 17,825	$ 6,687	$ 11,138	166.6%
Sales and marketing	12,372	5,686	6,686	117.6%	29,050	13,919	15,131	108.7%
General and administrative	3,798	2,560	1,238	48.4%	12,601	6,325	6,276	99.2%
Total	$ 24,836	$ 11,270	$ 13,566	120.4%	$ 59,476	$ 26,931	$ 32,545	120.8%

Research and development expense increased $11.8 million, or 73.5%, for the three months ended April 30, 2014 compared to the three months ended April 30, 2013, due to an increase in personnel costs of $9.7 million largely due to an increase in headcount and an increase in allocated costs of $1.6 million.

Research and development expense increased $27.1 million, or 60.5%, for the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013, due to an increase in personnel costs of $19.0 million largely due to an increase in headcount, an increase in allocated costs of $5.2 million, and an increase in development costs of $1.5 million to support continued investment in our future product and service offerings.

Sales and marketing expense increased $32.3 million, or 62.4%, for the three months ended April 30, 2014 compared to the three months ended April 30, 2013, due to an increase in personnel costs of $21.4 million largely due to an increase in headcount, an increase in allocated costs of $3.5 million, an increase in demand generation activities, trade shows, and other marketing activities of $2.6 million, an increase in travel and entertainment costs of $1.5 million, and an increase in professional services costs of $1.3 million.

Sales and marketing expense increased $88.0 million, or 62.8%, for the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013, due to an increase in personnel costs of $59.8 million largely due to an increase in headcount, an increase in allocated costs of $11.1 million, an increase in travel and entertainment costs of $6.7 million, an increase in professional services costs of $5.3 million, and an increase in demand generation activities, trade shows, and other marketing activities of $3.1 million.

General and administrative expense increased $11.4 million, or 93.3%, for the three months ended April 30, 2014 compared to the three months ended April 30, 2013, due to an increase in professional services costs of $7.3 million, including increased expenses related to the IP litigation with Juniper of $3.5 million and expenses related to our acquisition of Cyvera of $3.6 million. The remaining increase was due to an increase in personnel costs of $2.6 million, largely due to an increase in headcount.

General and administrative expense increased $26.6 million, or 85.9%, for the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013, due to an increase in professional services costs of $12.5 million, including expenses related to the IP litigation with Juniper of $7.0 million and expenses related to our acquisition of Cyvera and Morta of $4.0 million, and an increase in personnel costs of $9.2 million, largely due to an increase in headcount.

Legal settlement expense increased $121.2 million for the three months ended April 30, 2014 compared to the three months ended April 30, 2013 due to the recognition of an expense of $121.2 million for the settlement agreement with Juniper.

Legal settlement expense increased $141.2 million for the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013 due to the recognition of an expense of $121.2 million for the settlement agreement with Juniper and $20.0 million for the Mutual Covenant Not to Sue and Release Agreement with Fortinet.

Provision for Income Taxes

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
	(dollars in thousands)			
Provision for income taxes	$ 1,272	$ 808	$ 5,125	$ 1,632
Effective tax rate	(0.9)%	(12.5)%	(2.7)%	(13.9)%

We recorded an income tax provision for the three and nine months ended April 30, 2014 due to federal, state, and foreign income taxes and foreign withholding taxes. The provision for income taxes increased for the three and nine months ended April 30, 2014 compared to the three and nine months ended April 30, 2013 due to increased U.S. taxable income and a shift in geographical mix of income due to global expansion.

Liquidity and Capital Resources

	April 30, 2014	July 31, 2013
	(in thousands)	
Working capital	$ 81,094	$ 323,597
Cash, cash equivalents, and investments:		
Cash and cash equivalents	$ 234,790	$ 310,614
Investments	237,082	126,321
Total cash, cash equivalents, and investments	$ 471,872	$ 436,935

	Nine Months Ended April 30,	
	2014	2013
	(in thousands)	
Cash provided by operating activities	$ 114,556	$ 72,789
Cash used in investing activities	(229,306)	(196,637)
Cash provided by financing activities	38,926	14,870
Net decrease in cash and cash equivalents	$ (75,824)	$ (108,978)

At April 30, 2014, our cash, cash equivalents, and investments of $471.9 million were held for working capital purposes, of which approximately $103.1 million was held outside of the United States. Our current plans do not include repatriating these funds. However, if these funds were needed for our domestic operations, we would be required to accrue and pay U.S. taxes to do so. There are no other restrictions on the use of these funds. We do not provide for federal income taxes on the undistributed earnings of our foreign subsidiaries, all of which we expect to reinvest outside of the United States indefinitely. If we were to repatriate these earnings to the United States, any associated income tax liability would be insignificant.

We believe that our cash flow from operations with existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for the foreseeable future. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and services offerings, the costs to acquire or invest in complementary businesses and technologies, the costs to ensure access to adequate manufacturing capacity, and the continuing market acceptance of our products. In addition, we may be required to pay additional taxes related to the acquisition of Cyvera if we transfer the acquired intellectual property out of Israel. We may choose to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, operating results, and financial condition may be adversely affected.

Operating Activities

Our operating activities have consisted of net loss adjusted for certain non-cash items and changes in assets and liabilities.

Cash provided by operating activities during the nine months ended April 30, 2014 was $114.6 million, an increase of $41.8 million compared to the nine months ended April 30, 2013 due to changes in our assets and liabilities, partially offset by an increase in our net loss during the nine months ended April 30, 2014. Our net loss for the nine months ended April 30, 2014

included a $20.0 million payment for a mutual release of claims and an extension of the Mutual Covenant Note to Sue and Release Agreement with Fortinet for six more years. Changes in assets and liabilities during the nine months ended April 30, 2014 compared to the nine months ended April 30, 2013 include an increase in collections on accounts receivable and an increase in sales of subscriptions and support and maintenance contracts to new and existing customers as reflected by an increase in deferred revenue.

The change in accrued and other liabilities includes the accrual of $121.2 million related to the settlement agreement with Juniper. Pursuant to the settlement agreement, we are obligated to pay $75.0 million in cash during the three months ended July 31, 2014.

Investing Activities

Our investing activities have consisted of capital expenditures and net investment purchases, sales, and maturities. We expect to continue such activities as our business grows.

Cash used by investing activities during the nine months ended April 30, 2014 was $229.3 million, an increase of $32.7 million as compared to the nine months ended April 30, 2013. The increase was primarily due to business acquisitions and increased purchases of property, equipment, and other assets, partially offset by lower net purchases of available-for-sale investments during the nine months ended April 30, 2014.

Financing Activities

Our financing activities have consisted of proceeds from sales of shares through employee equity incentive plans.

Cash provided by financing activities during the nine months ended April 30, 2014 was $38.9 million, an increase of $24.1 million as compared to the nine months ended April 30, 2013. The increase was due to higher proceeds from the sale of shares through employee equity incentive plans during the nine months ended April 30, 2014. In addition, during the nine months ended April 30, 2013, we completed payments of our initial public offering costs.

Off-Balance Sheet Arrangements

Through April 30, 2014, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

We believe the critical accounting policies and estimates discussed under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 25, 2013, reflect our more significant judgments and estimates used in the preparation of the condensed consolidated financial statements. See “Available Information” below for instructions on how to access our Annual Report on Form 10-K. There have been no significant changes to our critical accounting policies and estimates as filed in such report, except for broadening our discussion on the Impairment of Long-Lived Assets to include critical accounting policies and estimates related to goodwill and intangible assets.

Goodwill, Intangibles, and Other Long-Lived Assets

We make significant estimates, assumptions, and judgments when valuing goodwill and other purchased intangible assets in connection with the initial purchase price allocation of an acquired entity, as well as when evaluating impairment of goodwill and other purchased intangible assets on an ongoing basis. These estimates are based upon a number of factors, including historical experience, market conditions, and information obtained from the management of the acquired company. Critical estimates in valuing certain intangible assets include, but are not limited to, cash flows that an asset is expected to generate in the future, discount rates, the time and expenses that would be necessary to recreate the assets, and the profit margin a market participant would receive. The amounts and useful lives assigned to identified intangible assets impacts the amount and timing of future amortization expense.

We evaluate goodwill for impairment on an annual basis in our fourth fiscal quarter or more frequently if we believe impairment indicators exist. Goodwill is tested for impairment at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair value of the reporting unit is estimated using significant judgment based on a combination of the income and the market approaches. If the fair value of the reporting unit does not exceed the carrying amount of the net assets assigned to the reporting unit, then we perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. When the carrying amount of a reporting unit's goodwill exceeds its implied fair value, we record an impairment loss equal to the difference. Determining the fair value of a reporting unit is highly judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, operating trends, risk-adjusted discount rates, future economic and market conditions, and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

We evaluate long-lived assets, such as property, equipment, and purchased intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Such events or changes in circumstances include, but are not limited to, a significant decrease in the fair value of the underlying asset or asset group, a significant decrease in the benefits realized from the acquired assets, difficulty and delays in integrating the business, or a significant change in the operations of the acquired assets or use of an asset. A long-lived asset is considered impaired if its carrying amount exceeds the estimated future undiscounted cash flows the asset or asset group is expected to generate. If a long-lived asset is considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset exceeds the fair value of the asset or asset group.

Recent Accounting Pronouncements

Refer to “Recent Accounting Pronouncements” in Note 1 to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Available Information

Our website is located at www.paloaltonetworks.com, and our investor relations website is located at http://investors.paloaltonetworks.com. Copies of Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available, free of charge, on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the Securities and Exchange Commission, or the SEC. The SEC also maintains a website that contains our SEC filings. The address of the site is www.sec.gov. Further, a copy of this Quarterly Report on Form 10-Q is located at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

Webcasts of our earnings calls and certain events we participate in or host with members of the investment community are on our investor relations website. Additionally, we announce investor information, including news and commentary about our business and financial performance, SEC filings, notices of investor events, and our press and earnings releases, on our investor relations website. Investors and others can receive notifications of new information posted on our investor relations website in real time by signing up for email alerts and RSS feeds. Further corporate governance information, including our certificate of incorporation, bylaws, corporate governance guidelines, board committee charters, and code of conduct, is also available on our investor relations website under the heading “Corporate Governance.” The contents of our websites are not incorporated by reference into this Quarterly Report on Form 10-Q or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposures to market risk have not changed materially since July 31, 2013. For our quantitative and qualitative disclosures about market risk, see the disclosures in Part II, Item 7A in our Annual Report on Form 10-K filed with the SEC on September 25, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on our evaluation, our chief executive officer and chief financial officer concluded that, as of April 30, 2014, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended April 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

The information set forth under the "Litigation" subheading in Note 6 Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties including those described below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the following risks or others not specified below materialize, our business, financial condition, and results of operations could be materially adversely affected. In that case, the market price of our common stock could decline.

Risks Related to Our Business and Our Industry

Our limited operating history makes it difficult to evaluate our current business and future prospects, and may increase the risk of your investment.

We were founded in 2005 and shipped our first products in 2007. The majority of our revenue growth has occurred since 2009. Our limited operating history makes it difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth. We have encountered and will continue to encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, including the risks described in this Quarterly Report on Form 10-Q. If we do not address these risks successfully, our business and operating results will be adversely affected, and the market price of our common stock could decline. Further, we have limited historical financial data and we operate in a rapidly evolving market. As such, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market.

Our business and operations have experienced rapid growth in recent periods, and if we do not effectively manage any future growth or are unable to improve our systems and processes, our operating results will be adversely affected.

We have experienced rapid growth and increased demand for our products over the last few years. Our employee headcount and number of end-customers have increased significantly, and we expect to continue to grow our headcount significantly over the next year. For example, from the end of the second quarter of fiscal 2014 to the end of the third quarter of fiscal 2014, our headcount increased from 1,375 to 1,556 employees, and our number of end-customers increased from more than 16,000 to over 17,000. The growth and expansion of our business and product and service offerings places a continuous significant strain on our management, operational, and financial resources. As we have grown, we have increasingly managed more complex deployments of our products and services with larger end-customers. To manage any future growth effectively, we must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems, and our ability to manage headcount, capital, and processes in an efficient manner.

We may not be able to successfully implement improvements to our systems and processes in an efficient or timely manner, and we may discover deficiencies in our existing systems and processes. We have licensed technology from third parties to help us accomplish this objective. We may experience difficulties in managing improvements to our systems and processes or in connection with third-party software, which could disrupt existing customer relationships, cause us to lose customers, limit us to smaller deployments of our products, or increase our technical support costs. Our failure to improve our systems and processes, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business and to accurately forecast our revenue, expenses, and earnings, or to prevent certain losses. In addition, our systems and processes may not prevent or detect all errors, omissions, or fraud. Our productivity and the quality of our products and services may be adversely affected if we do not integrate and train our new employees quickly and effectively, including employees we acquired in connection with our acquisition of Cyvera. Any future growth would add complexity to our organization and require effective coordination throughout our organization. For example, as a result of growth in our employee headcount, we relocated our corporate headquarters to a larger office space in Santa Clara, California in November 2013. Failure to manage any future growth effectively could result in increased costs, negatively impact our end-customers’ satisfaction with our products and services, and harm our operating results.

Our operating results are likely to vary significantly from period to period and be unpredictable, which could cause the market price of our common stock to decline.

Our operating results, in particular, our revenues, gross margins, operating margins, and operating expenses, have historically varied from period to period, and we expect that this trend will continue as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- our ability to attract and retain new end-customers;
- the budgeting cycles and purchasing practices of end-customers;
- changes in end-customer, distributor or reseller requirements, or market needs;
- the cost and potential outcomes of existing and future litigation, which could have a material adverse effect on our business;
- changes in the growth rate of the enterprise security market;
- the timing and success of new product and service introductions by us or our competitors or any other change in the competitive landscape of our industry, including consolidation among our competitors or end-customers;
- changes in mix of our products and services including increases in multi-year subscriptions and support and maintenance;
- price competition;
- deferral of orders from end-customers in anticipation of new products or product enhancements announced by us or our competitors;
- our ability to successfully expand our business domestically and internationally;
- the timing and costs related to the development or acquisition of technologies or businesses;
- lack of synergy, or the inability to realize expected synergies, resulting from recent acquisitions;
- our inability to complete or integrate efficiently any acquisitions that we may undertake;
- our ability to increase the size of our distribution channel;
- decisions by potential end-customers to purchase enterprise security solutions from larger, more established security vendors or from their primary network equipment vendors;
- changes in end-customer attach rates and renewal rates for our services;
- timing of revenue recognition and revenue deferrals;
- our ability to manage production and manufacturing related costs, global customer service organization costs, inventory excess and obsolescence costs, and warranty costs;
- insolvency or credit difficulties confronting our customers, which could adversely affect their ability to purchase or pay for our products and services, or confronting our key suppliers, including our sole source suppliers, which could disrupt our supply chain;
- any disruption in our channel or termination of our relationship with important channel partners, including as a result of consolidation among distributors and resellers of enterprise security solutions;
- our inability to fulfill our end-customers’ orders due to supply chain delays or events that impact our manufacturers or their suppliers;
- increased expenses, unforeseen liabilities, or write-downs and any impact on our results of operations from any acquisition consummated;
- seasonality or cyclical fluctuations in our markets;
- future accounting pronouncements or changes in our accounting policies;
- the impact on our overall effective tax rate caused by any reorganization in our corporate structure or any changes in our valuation allowance for domestic deferred assets;
- increases or decreases in our expenses caused by fluctuations in foreign currency exchange rates, as an increasing portion of our expenses are incurred and paid in currencies other than the U.S. dollar;
- political, economic and social instability, including the political uncertainty in Ukraine, the impact of any current and future sanctions the U.S. or other countries may impose on Russia, and any disruption this may cause to broader global industrial economy; and

- general macroeconomic conditions, both domestically and in our foreign markets.

Any one of the factors above, or the cumulative effect of some of the factors referred to above, may result in significant fluctuations in our financial and other operating results. This variability and unpredictability could result in our failure to meet our revenue, margin, or other operating result expectations or those of securities analysts or investors for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

Our revenue growth rate in recent periods may not be indicative of our future performance.

You should not consider our revenue growth rate in recent periods as indicative of our future performance. We have recently experienced revenue growth rates of 48% and 58% in the nine months ended April 30, 2014 and nine months ended April 30, 2013, respectively. You should not rely on our revenue for any prior quarterly or annual periods as any indication of our future revenue or revenue growth. If we are unable to maintain consistent revenue or revenue growth, the market price of our common stock could be volatile, and it may be difficult to achieve and maintain profitability.

We have a history of losses, anticipate increasing our operating expenses in the future, and may not be able to achieve or maintain profitability or maintain or increase cash flow on a consistent basis. If we cannot achieve or maintain profitability or maintain or increase our cash flow, our business, financial condition, and operating results may suffer.

Other than fiscal 2012, we have incurred losses in all fiscal years since our inception. We incurred a net loss of $194.4 million in the first three quarters of fiscal 2014, $29.2 million in fiscal 2013, and $12.5 million in fiscal 2011. As a result, we had an accumulated deficit of $303.7 million at April 30, 2014. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to enhance our product and service offerings, broaden our end-customer base, expand our sales channels, expand our operations, hire additional employees, and continue to develop our technology. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenues sufficiently, or at all, to offset these higher expenses. Revenue growth may slow or revenue may decline for a number of possible reasons, including slowing demand for our products or services, increasing competition, a decrease in the growth of our overall market, or a failure to capitalize on growth opportunities. Any failure to increase our revenues as we grow our business could prevent us from achieving or maintaining profitability or maintaining or increasing cash flow on a consistent basis. If we are unable to meet these risks and challenges as we encounter them, our business, financial condition, and operating results may suffer.

If we are unable to sell additional products and services to our end-customers or maintain or increase our installed end-customer base, our future revenue and operating results will be harmed.

Our future success depends, in part, on our ability to expand the deployment of our platform with existing end-customers by selling additional products, to secure other areas of our end-customers' network and endpoints, and by upselling additional subscription services to provide increasing levels of enterprise security. This may require increasingly sophisticated and costly sales efforts and may not result in additional sales. In addition, the rate at which our end-customers purchase additional products and services depends on a number of factors, including the perceived need for additional enterprise security products and services as well as general economic conditions. If our efforts to sell additional products and services to our end-customers are not successful, our business may suffer.

Further, existing end-customers that purchase our subscriptions have no contractual obligation to renew their contracts after the completion of their initial contract period, which is typically one year, and we cannot accurately predict renewal rates. Our end-customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction with our services and our end-customer support, the frequency and severity of subscription outages, our product uptime or latency, and the pricing of our, or competing, services. If our end-customers renew their subscriptions, they may renew for shorter contract lengths or on other terms that are less economically beneficial to us. We have limited historical data with respect to rates of end-customer renewals, so we may not accurately predict future renewal trends. We cannot assure you that our end-customers will renew their subscriptions, and if our end-customers do not renew their agreements or renew on less favorable terms, our revenues may grow more slowly than expected or decline.

We also depend on our installed end-customer base for future support and maintenance revenues. Our support and maintenance agreements are typically one year. If end-customers choose not to continue renewing their support and maintenance or seek to renegotiate the terms of support and maintenance agreements prior to renewing such agreements, our revenue may decline.

We face intense competition in our market, especially from larger, well-established companies, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The market for enterprise security products is intensely competitive, and we expect competition to increase in the future from established competitors and new market entrants. Our main competitors fall into four categories:

- large networking vendors, such as Cisco Systems, Inc. and Juniper Networks, Inc., that incorporate enterprise security features in their products;
- large companies, such as Intel Corporation, International Business Machines (IBM), and Hewlett-Packard Company (HP), that have acquired large network and endpoint security specialist vendors in recent years and have the technical and financial resources to bring competitive solutions to the market;
- independent security vendors, such as Check Point Software Technologies Ltd. and Fortinet, Inc., that offer network security products, and Symantec, Inc., that offers endpoint security products; and
- small and large companies that offer, or have announced plans that they will offer, point solutions that compete with some of the features present in our platform.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as:

- greater name recognition and longer operating histories;
- larger sales and marketing budgets and resources;
- broader distribution and established relationships with distribution partners and end-customers;
- greater customer support resources;
- greater resources to make acquisitions;
- lower labor and development costs;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, and other resources.

In addition, some of our larger competitors have substantially broader and more diverse product offerings and leverage their relationships based on other products or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our products, including through selling at zero or negative margins, product bundling, or closed technology platforms. Potential end-customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. These larger competitors often have broader product lines and market focus and may therefore not be as susceptible to downturns in a particular market. Many of our smaller competitors that specialize in providing protection from a single type of enterprise security threat are often able to deliver these specialized enterprise security products to the market more quickly than we can. Conditions in our market could change rapidly and significantly as a result of technological advancements, partnering by our competitors, or continuing market consolidation. New start-up companies that innovate and large competitors that are making significant investments in research and development may invent similar or superior products and technologies that compete with our products and technology. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources.

Some of our competitors have made acquisitions of businesses that may allow them to offer more directly competitive and comprehensive solutions than they had previously offered, such as Intel’s acquisition of McAfee and Stonesoft, Check Point’s acquisition of Nokia’s security appliance business, and Cisco's acquisition of SourceFire. As a result of such acquisitions, our current or potential competitors might be able to adapt more quickly to new technologies and end-customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of acquisition or other opportunities more readily, or develop and expand their product and service offerings more quickly than we do. Due to various reasons, organizations may be more willing to incrementally add solutions to their existing enterprise security infrastructure from competitors than to replace it with our solutions. These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced revenue and gross margins, and loss of market share. Any failure to meet and address these factors could seriously harm our business and operating results.

If functionality similar to that offered by our products is incorporated into existing network infrastructure products, organizations may decide against adding our appliances to their network, which would have an adverse effect on our business.

Large, well-established providers of networking equipment such as Cisco and Juniper offer, and may continue to introduce, enterprise security features that compete with our products, either in stand-alone security products or as additional features in their network infrastructure products. The inclusion of, or the announcement of an intent to include, functionality perceived to be similar to that offered by our security solutions in networking products that are already generally accepted as necessary components of network architecture may have an adverse effect on our ability to market and sell our products. Furthermore, even if the functionality offered by network infrastructure providers is more limited than our products, a significant number of end-customers may elect to accept such limited functionality in lieu of adding appliances from an additional vendor such as us. Many organizations have invested substantial personnel and financial resources to design and operate their networks and have established deep relationships with other providers of

networking products, which may make them reluctant to add new components to their networks, particularly from other vendors such as us. In addition, an organization's existing vendors or new vendors with a broad product offering may be able to offer concessions that we are not able to match because we currently offer only enterprise security products and have fewer resources than many of our competitors. If organizations are reluctant to add additional network infrastructure from new vendors or otherwise decide to work with their existing vendors, our ability to increase our market share and improve our financial condition and operating results will be adversely affected.

Reliance on shipments at the end of the quarter could cause our revenue for the applicable period to fall below expected levels.

As a result of end-customer buying patterns and the efforts of our sales force and channel partners to meet or exceed their sales objectives, we have historically received a substantial portion of sales orders and generated a substantial portion of revenue during the last few weeks of each fiscal quarter. If expected revenue at the end of any fiscal quarter is delayed for any reason, including the failure of anticipated purchase orders to materialize, our logistics partners' inability to ship products prior to fiscal quarter-end to fulfill purchase orders received near the end of the fiscal quarter, our failure to manage inventory to meet demand, our inability to release new products on schedule, any failure of our systems related to order review and processing, or any delays in shipments based on trade compliance requirements, our revenue for that quarter could fall below our expectations and the estimates of analysts, which could adversely impact our business and results of operations and cause a decline in the market price of our common stock.

If we are unable to hire, retain, train, and motivate qualified personnel and senior management, our business could suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in engineering and sales, may seriously harm our business, financial condition, and operating results. Although we have entered into employment offer letters with our key personnel, these agreements have no specific duration and constitute at-will employment. We are also substantially dependent on the continued service of our existing development personnel because of the complexity of our platform. Additionally, any failure to hire, train, and adequately incentivize our sales personnel could negatively impact our growth. Further, the inability of our recently hired sales personnel to effectively ramp to target productivity levels could negatively impact our operating margins. If we are not effective in managing any leadership transition in our sales organization, our business could be adversely impacted and our operating results and financial condition could be harmed.

Competition for highly skilled personnel is often intense, especially in the San Francisco Bay Area, where we have a substantial presence and need for highly skilled personnel. Additionally, the industry in which we operate generally experiences high employee attrition. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. Also, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product.

Our future performance also depends on the continued services and continuing contributions of our senior management to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition, and operating results.

Our employees do not have employment arrangements that require them to continue to work for us for any specified period, and therefore, they could terminate their employment with us at any time. We do not maintain key person life insurance policies on any of our employees. The loss of one or more of our key employees or groups could seriously harm our business.

We rely on third-party channel partners to sell substantially all of our products, and if our partners fail to perform, our ability to sell and distribute our products and services will be limited, and our operating results will be harmed.

Substantially all of our revenue is generated by sales through our channel partners, including distributors and resellers. We provide our sales channel partners with specific training and programs to assist them in selling our products, but there can be no assurance that these steps will be effective. In addition, our channel partners may be unsuccessful in marketing, selling, and supporting our products and services. If we are unable to develop and maintain effective sales incentive programs for our third-party channel partners, we may not be able to incentivize these partners to sell our products to end-customers and, in particular, to large enterprises. These partners may also market, sell, and support products and services that are competitive with ours and may devote more resources to the marketing, sales, and support of such competitive products. These partners may have incentives to promote our competitors' products to the detriment of our own or may cease selling our products altogether. Our agreements with our channel partners may generally be terminated for any reason by either party with advance notice prior to each annual renewal date. We cannot assure you that we will retain these channel partners or that we will be able to secure additional or replacement channel partners. The loss of one or more of our significant channel partners or a decline in the number or size of orders from them could harm our operating results. In addition, any new sales channel partner requires extensive training and may take several months or more to achieve productivity. Our channel partner sales structure could subject us to lawsuits, potential liability, and reputational harm if, for example, any of our channel partners misrepresent the functionality of our products or services to end-customers or violate laws or our corporate policies.

If we fail to effectively manage our existing sales channels, if our channel partners are unsuccessful in fulfilling the orders for our products, or if we are unable to enter into arrangements with, and retain a sufficient number of, high quality channel partners in each of the regions in which we sell products and keep them motivated to sell our products, our ability to sell our products and operating results will be harmed.

Because we depend on third-party manufacturers to build and ship our products, we are susceptible to manufacturing and logistics delays and pricing fluctuations that could prevent us from shipping customer orders on time, if at all, or on a cost-effective basis, which may result in the loss of sales and customers.

We depend on third-party manufacturers, primarily Flextronics International Ltd., our contract manufacturer, as sole source manufacturers for our product lines. Our reliance on these third-party manufacturers reduces our control over the manufacturing process and exposes us to risks, including reduced control over quality assurance, product costs, and product supply and timing, as well as the risk that minerals which originate from the Democratic Republic of the Congo and adjoining countries, or conflict minerals, may be included in our products. Any manufacturing and logistics disruption by these third-party manufacturers could severely impair our ability to fulfill orders. In addition, we are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 that require us to diligence, disclose, and report whether or not our products contain conflicts minerals. These requirements could adversely affect the sourcing, availability, and pricing of minerals used in the manufacture of semiconductor devices or other components used in our products. We may also encounter customers who require that all of the components of our products be certified as conflict free. If we are not able to meet this requirement, such customers may choose not to purchase our products, which could adversely impact sales of our products. In addition, we incur additional costs to comply with these disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products.

These manufacturers typically fulfill our supply requirements on the basis of individual orders. We do not have long term contracts with our third-party manufacturers that guarantee capacity, the continuation of particular pricing terms, or the extension of credit limits. Accordingly, they are not obligated to continue to fulfill our supply requirements, which could result in supply shortages, and the prices we are charged for manufacturing services could be increased on short notice. Our contract with one of our contract manufacturers permits them to terminate the agreement for their convenience, subject to prior notice requirements. If we are required to change contract manufacturers, our ability to meet our scheduled product deliveries to our customers could be adversely affected, which could cause the loss of sales to existing or potential customers, delayed revenue or an increase in our costs which could adversely affect our gross margins. Any production interruptions for any reason, such as a natural disaster, epidemic, capacity shortages, or quality problems, at one of our manufacturing partners would negatively affect sales of our product lines manufactured by that manufacturing partner and adversely affect our business and operating results.

Managing the supply of our products and product components is complex. Insufficient supply and inventory may result in lost sales opportunities or delayed revenue, while excess inventory may harm our gross margins.

Our third-party manufacturers procure components and build our products based on our forecasts, and we generally do not hold inventory for a prolonged period of time. These forecasts are based on estimates of future demand for our products, which are in turn based on historical trends and analyses from our sales and marketing organizations, adjusted for overall market conditions. In order to reduce manufacturing lead times and plan for adequate component supply, from time to time we may issue forecasts for components and products that are non-cancelable and non-returnable.

Our inventory management systems and related supply chain visibility tools may be inadequate to enable us to forecast accurately and effectively manage supply of our products and product components. Supply management remains an increased area of focus as we balance the need to maintain supply levels that are sufficient to ensure competitive lead times against the risk of obsolescence because of rapidly changing technology and end-customer requirements. If we ultimately determine that we have excess supply, we may have to reduce our prices and write-down inventory, which in turn could result in lower gross margins. If our actual component usage and product demand are lower than the forecast we provide to our third-party manufacturers, we accrue for losses on manufacturing commitments in excess of forecasted demand. Alternatively, insufficient supply levels may lead to shortages that result in delayed revenue or loss of sales opportunities altogether as potential end-customers turn to competitors’ products that are readily available. Additionally, any increases in the time required to manufacture our products or ship products could result in supply shortfalls. If we are unable to effectively manage our supply and inventory, our operating results could be adversely affected.

Because some of the key components in our products come from limited sources of supply, we are susceptible to supply shortages or supply changes, which could disrupt or delay our scheduled product deliveries to our customers and may result in the loss of sales and customers.

Our products rely on key components, including integrated circuit components, which our contract manufacturers purchase on our behalf from a limited number of suppliers, including sole source providers. The manufacturing operations of some of our component suppliers are geographically concentrated in Asia and elsewhere, which makes our supply chain vulnerable to regional disruptions. A fire, flood, earthquake, tsunami or other disaster, condition or event such as political instability, civil unrest or a power

outage that adversely affects any of these component suppliers' facilities could significantly affect our ability to obtain the necessary components for our products, which could result in a substantial loss of sales and revenue and a substantial harm to our operating results. Similarly, a localized health risk affecting employees at these facilities, such as the spread of a pandemic influenza, could impair the volume of components that we are able to obtain, which could result in substantial harm to our operating results.

We do not have volume purchase contracts with any of our component suppliers, and they could cease selling to us at any time. In addition, our component suppliers change their selling prices frequently in response to market trends, including industry-wide increases in demand, and because we do not have volume purchase contracts with these suppliers, we are susceptible to price fluctuations related to raw materials and components. If we are unable to pass component price increases along to our customers or maintain stable pricing, our gross margins and operating results could be negatively impacted. If we are unable to obtain a sufficient quantity of these components in a timely manner for any reason, sales of our products could be delayed or halted or we could be forced to expedite shipment of such components or our products at dramatically increased costs, which would negatively impact our revenue and gross margins. Additionally, poor quality in any of the sole-sourced components in our products could result in lost sales or lost sales opportunities. If the quality of the components does not meet our or our end-customers' requirements, if we are unable to obtain components from our existing suppliers on commercially reasonable terms, or if any of our sole source providers cease to remain in business or continue to manufacture such components, we could be forced to redesign our products and qualify new components from alternate suppliers. The resulting stoppage or delay in selling our products and the expense of redesigning our products could result in lost sales opportunities and damage to customer relationships, which would adversely affect our business and operating results.

If we are not successful in executing our strategy to increase sales of our products to new and existing medium and large enterprise end-customers, our operating results may suffer.

Our growth strategy is dependent, in part, upon increasing sales of our products to medium and large enterprises. Sales to these types of end-customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller entities. These risks include:

- competition from larger competitors, such as Cisco, Check Point, and Juniper, that traditionally target larger enterprises, service providers, and government entities and that may have pre-existing relationships or purchase commitments from those end-customers;
- increased purchasing power and leverage held by large end-customers in negotiating contractual arrangements with us;
- more stringent requirements in our worldwide support service contracts, including stricter support response times and penalties for any failure to meet support requirements; and
- longer sales cycles and the associated risk that substantial time and resources may be spent on a potential end-customer that elects not to purchase our products and services.

Large enterprises often undertake a significant evaluation process that results in a lengthy sales cycle, in some cases over 12 months. Although we have a channel sales model, our sales representatives typically engage in direct interaction with our distributors and resellers in connection with sales to larger end-customers. Because these evaluations are often lengthy, with significant size and scope and stringent requirements, we typically provide evaluation products to these end-customers. We may spend substantial time, effort, and money in our sales efforts without being successful in generating any sales. In addition, product purchases by large enterprises are frequently subject to budget constraints, multiple approvals, and unplanned administrative, processing, and other delays. Finally, large enterprises typically have longer implementation cycles, require greater product functionality and scalability and a broader range of services, demand that vendors take on a larger share of risks, sometimes require acceptance provisions that can lead to a delay in revenue recognition, and expect greater payment flexibility from vendors. All of these factors can add further risk to business conducted with these end-customers. If we fail to realize an expected sale from a large end-customer in a particular quarter or at all, our business, operating results, and financial condition could be materially and adversely affected.

We rely on revenue from subscription and support services, which may decline, and because we recognize revenue from subscriptions and support services over the term of the relevant service period, downturns or upturns in sales of these subscription and support services are not immediately reflected in full in our operating results.

Services revenue accounts for a significant portion of our revenue, comprising 43% of total revenue in the nine months ended of April 30, 2014 and 37% of total revenue in the nine months ended of April 30, 2013. Sales of new or renewal subscription and support and maintenance contracts may decline and fluctuate as a result of a number of factors, including end-customers' level of satisfaction with our products and services, the prices of our products and services, the prices of products and services offered by our competitors, and reductions in our end-customers' spending levels. If our sales of new or renewal subscription and support and maintenance contracts decline, our revenue and revenue growth may decline and our business will suffer. In addition, we recognize subscription and support and maintenance revenue monthly over the term of the relevant service period, which is typically one year and can be up to five years. As a result, much of the subscription and support and maintenance revenue we report each fiscal quarter is the recognition of deferred revenue from subscription and support and maintenance contracts entered into during previous fiscal quarters.

Consequently, a decline in new or renewed subscription or support and maintenance contracts in any one fiscal quarter will not be fully or immediately reflected in revenue in that fiscal quarter but will negatively affect our revenue in future fiscal quarters. Accordingly, the effect of significant downturns in new or renewed sales of our subscriptions or support and maintenance is not reflected in full in our operating results until future periods. Also, it is difficult for us to rapidly increase our services revenue through additional service sales in any period, as revenue from new and renewal service contracts must be recognized over the applicable service period. Furthermore, any increase in the average term of services contracts would result in revenue for services contracts being recognized over longer periods of time.

Defects, errors, or vulnerabilities in our products or services or the failure of our products or services to block a virus or prevent a security breach could harm our reputation and adversely impact our results of operations.

Because our products and services are complex, they have contained and may contain design or manufacturing defects or errors that are not detected until after their commercial release and deployment by our end-customers. For example, from time to time, certain of our end-customers have reported defects in our products related to performance, scalability, and compatibility that were not detected before shipping the product. Additionally, defects may cause our products or services to be vulnerable to security attacks, cause them to fail to help secure networks, or temporarily interrupt end-customers' networking traffic. Because the techniques used by computer hackers to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques and provide a solution in time to protect our end-customers' networks. Furthermore, as a well-known provider of enterprise security solutions, our networks, products, and services could be targeted by attacks specifically designed to disrupt our business and harm our reputation. In addition, defects or errors in our subscription updates or our products could result in a failure of our services to effectively update end-customers' hardware products and thereby leave our end-customers vulnerable to attacks. Our data centers and networks may experience technical failures and downtime, may fail to distribute appropriate updates, or may fail to meet the increased requirements of a growing end-customer base, any of which could temporarily or permanently expose our end-customers' networks, leaving their networks unprotected against the latest security threats.

Any defects, errors or vulnerabilities in our products could result in:

- expenditure of significant financial and product development resources in efforts to analyze, correct, eliminate, or work-around errors or defects or to address and eliminate vulnerabilities;
- loss of existing or potential end-customers or channel partners;
- delayed or lost revenue;
- delay or failure to attain market acceptance;
- an increase in warranty claims compared with our historical experience, or an increased cost of servicing warranty claims, either of which would adversely affect our gross margins; and
- litigation, regulatory inquiries, or investigations that may be costly and harm our reputation.

Our business is subject to the risks of warranty claims, product returns, product liability, and product defects.

Our products are very complex and, despite testing prior to their release, they have contained and may contain undetected defects or errors, especially when first introduced or when new versions are released. Product defects or errors could affect the performance of our products and could delay the development or release of new products or new versions of products, adversely affect our reputation and our end-customers' willingness to buy products from us, and adversely affect market acceptance or perception of our products. Any such errors or delays in releasing new products or new versions of products or allegations of unsatisfactory performance could cause us to lose revenue or market share, increase our service costs, cause us to incur substantial costs in redesigning the products, cause us to lose significant end-customers, subject us to liability for damages, and divert our resources from other tasks, any one of which could materially and adversely affect our business, results of operations, and financial condition. Our products must successfully interoperate with products from other vendors. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. For example, from time to time, certain of our end-customers have experienced temporary delays or interoperability issues when implementing our products in large complex global deployments where our products are required to interoperate with a complex environment of third party products. The occurrence of hardware or software errors, whether or not caused by our products, could delay or reduce market acceptance of our products, and have an adverse effect on our business and financial performance, and any necessary revisions may cause us to incur significant expenses. The occurrence of any such problems could harm our business, financial condition, and results of operations.

The limitation of liability provisions in our standard terms and conditions of sale may not fully or effectively protect us from claims as a result of federal, state, or local laws or ordinances, or unfavorable judicial decisions in the United States or other countries. The sale and support of our products also entails the risk of product liability claims. Although we may be indemnified by our third-party manufacturers for product liability claims arising out of manufacturing defects, because we control the design of our products, we may not be indemnified for product liability claims arising out of design defects. We maintain insurance to protect against certain claims associated with the use of our products, but our insurance coverage may not adequately cover any claim asserted against us. In

addition, even claims that ultimately are unsuccessful could result in our expenditure of funds in litigation, divert management's time and other resources, and harm our reputation.

If the enterprise security market does not continue to adopt our enterprise security platform, our sales will not grow as quickly as anticipated, and the market price of our common stock could decline.

We are seeking to disrupt the enterprise security market with our enterprise security platform. However, organizations that use legacy products and services for their enterprise security needs may believe that these products and services sufficiently achieve their purpose. Organizations may also believe that our products and services only serve the needs of a portion of the enterprise security market. Accordingly, organizations may continue allocating their IT budgets for legacy products and services and may not adopt our enterprise security platform. If the market for enterprise security solutions does not continue to adopt our enterprise security platform, if end-customers do not recognize the value of our platform compared to legacy products and services, or if we are otherwise unable to sell our products and services to organizations, then our revenue may not grow or may decline, which would have a material adverse effect on our operating results and financial condition.

If we do not accurately predict, prepare for, and respond promptly to the rapidly evolving technological and market developments and changing end-customer needs in the enterprise security market, our competitive position and prospects will be harmed.

The enterprise security market is expected to continue to evolve rapidly. Moreover, many of our end-customers operate in markets characterized by rapidly changing technologies and business plans, which require them to add numerous network access points and adapt increasingly complex enterprise networks, incorporating a variety of hardware, software applications, operating systems, and networking protocols. The technology in our products is especially complex because it needs to effectively identify and respond to new and increasingly sophisticated methods of attack, while minimizing the impact on network performance. Additionally, some of our new products and enhancements may require us to develop new hardware architectures that involve complex, expensive, and time-consuming research and development processes. Although the market expects rapid introduction of new products or product enhancements to respond to new threats, the development of these products is difficult and the timetable for commercial release and availability is uncertain as there can be long time periods between releases and availability of new products. We may experience unanticipated delays in the availability of new products and services and fail to meet customer expectations for such availability. If we do not quickly respond to the rapidly changing and rigorous needs of our end-customers by developing, releasing, and making available on a timely basis new products and services or enhancements that can respond adequately to new security threats, our competitive position and business prospects will be harmed.

Additionally, the process of developing new technology is complex and uncertain, and if we fail to accurately predict end-customers' changing needs and emerging technological trends in the enterprise security industry, including the areas of mobility, virtualization, cloud computing, and software defined networks (SDN), our business could be harmed. We must commit significant resources to developing new products before knowing whether our investments will result in products the market will accept. The success of new products depends on several factors, including appropriate new product definition, component costs, timely completion and introduction of these products, differentiation of new products from those of our competitors, and market acceptance of these products. There can be no assurance that we will successfully identify new product opportunities, develop and bring new products to market in a timely manner, or achieve market acceptance of our products, or that products and technologies developed by others will not render our products or technologies obsolete or noncompetitive .

To remain competitive, we must successfully manage product introductions and transitions.

Due to the highly volatile and competitive nature of the industries in which we compete, we must continually introduce new products, services and technologies, and enhance existing products and services. The success of new product introductions depends on a number of factors including, but not limited to, timely and successful product development, market acceptance, our ability to manage the risks associated with new product production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory in line with anticipated product demand, the availability of products in appropriate quantities and costs to meet anticipated demand, and the risk that new products may have quality or other defects or deficiencies in the early stages of introduction. Accordingly, we cannot determine in advance the ultimate effect of new product introductions and transitions on our business and results of operations.

Our current research and development efforts may not produce successful products or features that result in significant revenue, cost savings or other benefits in the near future, if at all.

Developing our products and related enhancements is expensive. Our investments in research and development may not result in significant design improvements, marketable products or features, or may result in products that are more expensive than anticipated. Additionally, we may not achieve the cost savings or the anticipated performance improvements we expect, and we may take longer to generate revenue, or generate less revenue, than we anticipate. Our future plans include significant investments in research and development and related product opportunities. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position. However, we may not receive significant revenue from these

investments in the near future, if at all, or these investments may not yield the expected benefits, either of which could adversely affect our business and operating results.

The sales prices of our products and services may decrease, which may reduce our gross profits and adversely impact our financial results.

The sales prices for our products and services may decline for a variety of reasons, including competitive pricing pressures, discounts, a change in our mix of products and services, anticipation of the introduction of new products or services, or promotional programs. Competition continues to increase in the market segments in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse product and service offerings may reduce the price of products or services that compete with ours or may bundle them with other products and services. Additionally, although we price our products and services worldwide in U.S. dollars, currency fluctuations in certain countries and regions may negatively impact actual prices that partners and end-customers are willing to pay in those countries and regions. Furthermore, we anticipate that the sales prices and gross profits for our products will decrease over product life cycles. We cannot assure you that we will be successful in developing and introducing new offerings with enhanced functionality on a timely basis, or that our product and service offerings, if introduced, will enable us to maintain our prices and gross profits at levels that will allow us to achieve and maintain profitability.

We generate a significant amount of revenue from sales to distributors, resellers, and end-customers outside of the United States, and we are therefore subject to a number of risks associated with international sales and operations.

We have a limited history of marketing, selling, and supporting our products and services internationally. As a result, we must hire and train experienced personnel to staff and manage our foreign operations. To the extent that we experience difficulties in recruiting, training, managing, and retaining an international staff, and specifically staff related to sales management and sales personnel, we may experience difficulties in sales productivity in foreign markets. We also enter into strategic distributor and reseller relationships with companies in certain international markets where we do not have a local presence. If we are not able to maintain successful strategic distributor relationships internationally or recruit additional companies to enter into strategic distributor relationships, our future success in these international markets could be limited. Business practices in the international markets that we serve may differ from those in the United States and may require us in the future to include terms other than our standard terms in customer contracts. To the extent that we may enter into customer contracts in the future that include non-standard terms related to payment, warranties, or performance obligations, our operating results may be adversely impacted.

Additionally, our international sales and operations are subject to a number of risks, including the following:

- economic uncertainty around the world, in particular, macroeconomic challenges in Europe;
- greater difficulty in enforcing contracts and accounts receivable collection and longer collection periods;
- the uncertainty of protection for intellectual property rights in some countries;
- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;
- risks associated with trade restrictions and foreign legal requirements, including the importation, certification, and localization of our products required in foreign countries;
- greater risk of a failure of foreign employees, partners, distributors, and resellers to comply with both U.S. and foreign laws, including antitrust regulations, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, U.S. or foreign sanctions regimes and export or import control laws, and any trade regulations ensuring fair trade practices;
- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;
- increased expenses incurred in establishing and maintaining office space and equipment for our international operations;
- greater difficulty in recruiting local experienced personnel, and the costs and expenses associated with such activities;
- management communication and integration problems resulting from cultural and geographic dispersion;
- fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business; and
- general economic and political conditions in these foreign markets.

These factors and other factors could harm our ability to gain future international revenues and, consequently, materially impact our business, operating results, and financial condition. The expansion of our existing international operations and entry into additional international markets will require significant management attention and financial resources. Our failure to successfully manage our international operations and the associated risks effectively could limit the future growth of our business.

We are exposed to the credit and liquidity risk of some of our channel partners and to credit exposure in weakened markets, which could result in material losses.

For the nine months ended of April 30, 2014, three channel partners represented 69% of our total revenue, and as of April 30, 2014, three channel partners represented 66% of our gross accounts receivable. Most of our sales to our channel partners are made on an open credit basis. Although we have programs in place that are designed to monitor and mitigate these risks, we cannot assure you these programs will be effective in reducing our credit risks, especially as we expand our business internationally. If we are unable to adequately control these risks, our business, operating results, and financial condition could be harmed.

A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.

Sales to U.S. and foreign, federal, state, and local governmental agency end-customers have accounted for an increasingly significant amount of our revenue, and we may in the future increase sales to government entities. Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government certification requirements for products like ours may change, thereby restricting our ability to sell into the federal government sector until we have attained the revised certification. Government demand and payment for our products and services may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products and services. For example, spending on enterprise security by various agencies of the U.S. government may be reduced as a result of sequestration, which could adversely impact our business and operating results. In addition, the U.S. Congress may take additional action in 2014 to further reduce federal spending and the deficit which could further impact our business and operating results.

The substantial majority of our sales to date to government entities have been made indirectly through our channel partners. Government entities may have statutory, contractual, or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default, and any such termination may adversely impact our future operating results. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our products and services, a reduction of revenue or fines or civil or criminal liability if the audit uncovers improper or illegal activities, which could adversely impact our operating results in a material way. Finally, for purchases by the U.S. government, the government may require certain products to be manufactured in the United States and other relatively high cost manufacturing locations, and we may not manufacture all products in locations that meet the requirements of the U.S. government, affecting our ability to sell these products to the U.S. government.

If our products do not interoperate with our end-customers' infrastructure, sales of our products and services could be negatively affected, which would harm our business.

Our products must interoperate with our end-customers' existing infrastructure, which often have different specifications, utilize multiple protocol standards, deploy products from multiple vendors, and contain multiple generations of products that have been added over time. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. If we find defects in the hardware, we replace the hardware as part of our normal warranty process. If we find errors in the existing software that create problematic network configurations or settings, as we have in the past, we may have to issue software updates as part of our normal maintenance process. Any delays in identifying the sources of problems or in providing necessary modifications to our software or hardware could have a negative impact on our reputation and our end-customers' satisfaction with our products and services, and our ability to sell products and services could be adversely affected. In addition, government and other end-customers may require our products to comply with certain security or other certifications and standards. If our products are late in achieving or fail to achieve compliance with these certifications and standards, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our products to such end-customers, or at a competitive disadvantage, which would harm our business, operating results, and financial condition.

Our ability to sell our products is dependent on the quality of our channel partners' technical support services, and our channel partners' failure to offer high quality technical support services could have a material adverse effect on our end-customers' satisfaction with our products and services, our sales, and our operating results.

Once our products are deployed within our end-customers' networks, our end-customers depend on our technical support services, as well as the support of our channel partners, to resolve any issues relating to our products. Our channel partners often provide similar technical support for third parties' products, and may therefore have fewer resources to dedicate to the support of our products. If we or our channel partners do not effectively assist our end-customers in deploying our products, succeed in helping our end-customers quickly resolve post-deployment issues, or provide effective ongoing support, our ability to sell additional products and services to existing end-customers would be adversely affected and our reputation with potential end-customers could be damaged. Many larger enterprise, service provider, and government entity end-customers have more complex networks and require higher levels of support than smaller end-customers. If we or our channel partners fail to meet the requirements of these larger end-customers, it may be more difficult to execute on our strategy to increase our coverage with larger end-customers. Additionally, if our channel

partners do not effectively provide support to the satisfaction of our end-customers, we may be required to provide direct support to such end-customers, which would require us to hire additional personnel and to invest in additional resources. It can take several months to recruit, hire, and train qualified technical support employees. We may not be able to hire such resources fast enough to keep up with unexpected demand, particularly when the sales of our products exceed our internal forecasts. To the extent that we or our partners are unsuccessful in hiring, training, and retaining adequate support resources, our and our channel partners' ability to provide adequate and timely support to our end-customers will be negatively impacted, and our end-customers' satisfaction with our products and services will be adversely affected. Additionally, to the extent that we may need to rely on our sales engineers to provide post-sales support while we are ramping our support resources, our sales productivity will be negatively impacted, which would harm our revenues. Our or our channel partners failure to provide and maintain high quality support services would have a material adverse effect on our business, financial condition, and operating results.

We may acquire other businesses, which could require significant management attention, disrupt our business, dilute stockholder value, and adversely affect our operating results.

As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies. For example, in December 2013, we acquired Morta Security, Inc., and in April 2014, we acquired Cyvera Ltd., both cybersecurity companies. However, we have not made any other significant acquisitions to date, and as a result, our ability as an organization to acquire and integrate other companies, products, or technologies in a successful manner is unproven. The identification of suitable acquisition candidates is difficult, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete future acquisitions, we may not ultimately strengthen our competitive position or achieve our goals and business strategy, we may be subject to claims or liabilities assumed from an acquired company, product, or technology, and any acquisitions we complete could be viewed negatively by our end-customers, investors, and securities analysts. In addition, if we are unsuccessful at integrating past or future acquisitions, or the technologies associated with such acquisitions, into our company, the revenue and operating results of the combined company could be adversely affected. Any integration process may require significant time and resources, which may disrupt our ongoing business and divert management's attention, and we may not be able to manage the integration process successfully. We may not successfully evaluate or utilize the acquired technology or personnel, realize anticipated synergies from the acquisition, or accurately forecast the financial impact of an acquisition transaction and integration of such acquisition, including accounting charges. We may have to pay cash, incur debt, or issue equity or equity-linked securities to pay for any future acquisitions, each of which could adversely affect our financial condition or the market price of our common stock. The sale of equity or issuance of equity-linked debt to finance any future acquisitions could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. The occurrence of any of these risks could harm our business, operating results, and financial condition.

False detection of applications, viruses, spyware, vulnerability exploits, data patterns or URL categories could adversely affect our business.

Our classifications of application type, virus, spyware, vulnerability exploits, data, or URL categories may falsely detect applications, content, or threats that do not actually exist. This risk is heightened by the inclusion of a "heuristics" feature in our products, which attempts to identify applications and other threats not based on any known signatures but based on characteristics or anomalies which indicate that a particular item may be a threat. These false positives may impair the perceived reliability of our products and may therefore adversely impact market acceptance of our products. If our products restrict important files or applications based on falsely identifying them as malware or some other item that should be restricted, this could adversely affect end-customers' systems and cause material system failures. Any such false identification of important files or applications could result in damage to our reputation, negative publicity, loss of channel partners, end-customers and sales, increased costs to remedy any problem, and costly litigation.

Claims by others that we infringe their proprietary technology or other rights could harm our business.

Companies in the enterprise security industry own large numbers of patents, copyrights, trademarks, domain names, and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. As we face increasing competition and gain an increasingly high profile, the possibility of intellectual property rights claims against us grows. Third parties have asserted and may in the future assert claims of infringement of intellectual property rights against us. For example, in December 2011, Juniper Networks, Inc. ("Juniper"), one of our competitors, filed a lawsuit against us alleging patent infringement. In September 2013, we filed a lawsuit against Juniper alleging patent infringement. In May 2014, we entered into a Settlement, Release and Cross-License Agreement (the "settlement agreement") with Juniper to resolve all pending disputes between Juniper and the Company, including dismissal of all pending litigation. Refer to the discussion under "Legal Proceedings" included in Part II, Item 1 of this Quarterly Report on Form 10-Q for more information related to our intellectual property litigation and settlement with Juniper.

Third parties may also assert such claims against our end-customers or channel partners, whom our standard license and other agreements obligate us to indemnify against claims that our products infringe the intellectual property rights of third parties. Furthermore, we may be unaware of the intellectual property rights of others that may cover some or all of our technology or products. As the number of products and competitors in our market increases and overlaps occur, infringement claims may increase. While we

intend to increase the size of our patent portfolio, our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents may therefore provide little or no deterrence or protection. In addition, we have not registered our trademarks in all of our geographic markets and failure to secure those registrations could adversely affect our ability to enforce and defend our trademark rights. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business, and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Although third parties may offer a license to their technology or other intellectual property, the terms of any offered license may not be acceptable and the failure to obtain a license or the costs associated with any license could cause our business, financial condition, and operating results to be materially and adversely affected. In addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If a third party does not offer us a license to its technology or other intellectual property on reasonable terms, or at all, we could be enjoined from continued use of such intellectual property. As a result, we may be required to develop alternative, non-infringing technology, which could require significant time (during which we would be unable to continue to offer our affected products or services), effort, and expense and may ultimately not be successful. Furthermore, a successful claimant could secure a judgment or we may agree to a settlement that prevents us from distributing certain products or performing certain services or that requires us to pay substantial damages, royalties, or other fees. Any of these events could seriously harm our business, financial condition, and operating results.

In addition, although we have settled our litigation with Juniper, there is no guarantee that future claims of infringement may not arise between us and Juniper or other third parties. Under the settlement agreement with Juniper, the parties agreed to a mutual dismissal of all pending litigation, a cross-license of the patents in suit for the life of the patents, and an eight-year mutual covenant not to sue for infringement of any other patents. We also agreed to pay Juniper a one-time settlement amount of approximately $175.0 million, consisting of $75.0 million in cash, 1,080,747 shares of our common stock with an approximate value of $70.0 million, and a warrant to purchase 463,177 shares of our common stock with an approximate value of $30.0 million. After the eight-year covenant not to sue period, Juniper could file additional lawsuits against us, asserting patent infringement for other patents that are not subject to the cross-license.

Our proprietary rights may be difficult to enforce or protect, which could enable others to copy or use aspects of our products without compensating us.

We rely and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, copyright, patent, and trade secret protection laws, to protect our proprietary rights. We have filed various applications for certain aspects of our intellectual property. Valid patents may not issue from our pending applications, and the claims eventually allowed on any patents may not be sufficiently broad to protect our technology or products. Any issued patents may be challenged, invalidated or circumvented, and any rights granted under these patents may not actually provide adequate defensive protection or competitive advantages to us. Patent applications in the United States are typically not published until 18 months after filing, or, in some cases, not at all, and publications of discoveries in industry-related literature lag behind actual discoveries. We cannot be certain that we were the first to make the inventions claimed in our pending patent applications or that we were the first to file for patent protection, which could prevent our patent applications from issuing as patents or invalidate our patents following issuance. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Additional uncertainty may result from changes to patent-related laws enacted in the United States and other jurisdictions, including the recent America Invents Act and changes that may bring into question the validity of certain categories of software patents, and from interpretations of the intellectual property laws of the United States and other countries by applicable courts and agencies. As a result, we may not be able to obtain adequate patent protection or effectively enforce any issued patents.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. We generally enter into confidentiality or license agreements with our employees, consultants, vendors, and customers, and generally limit access to and distribution of our proprietary information. However, we cannot assure you that we have entered into such agreements with all parties who may have or have had access to our confidential information or that the agreements we have entered into will not be breached. We cannot guarantee that any of the measures we have taken will prevent misappropriation of our technology. Because we may be an attractive target for computer hackers, we may have a greater risk of unauthorized access to, and misappropriation of, our proprietary information. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States. From time to time, we may need to take legal action to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results, and financial condition. Attempts to enforce our rights against third parties could also provoke these third parties to assert their own intellectual property or

other rights against us, or result in a holding that invalidates or narrows the scope of our rights, in whole or in part. If we are unable to protect our proprietary rights (including aspects of our software and products protected other than by patent rights), we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time, and effort required to create the innovative products that have enabled us to be successful to date. Any of these events would have a material adverse effect on our business, financial condition, and operating results.

Our use of open source software in our products could negatively affect our ability to sell our products and subject us to possible litigation.

Our products contain software modules licensed to us by third-party authors under “open source” licenses. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of product sales for us.

Although we monitor our use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by United States courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. From time to time, there have been claims against companies that distribute or use open source software in their products and services, asserting that open source software infringes the claimants’ intellectual property rights. We could be subject to suits by parties claiming infringement of intellectual property rights in what we believe to be licensed open source software. Moreover, we cannot assure you that our processes for controlling our use of open source software in our products will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue offering our products on terms that are not economically feasible, to re-engineer our products, to discontinue the sale of our products if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, operating results, and financial condition.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or assurance of title or controls on origin of the software. In addition, many of the risks associated with usage of open source software, such as the lack of warranties or assurances of title, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have established processes to help alleviate these risks, including a review process for screening requests from our development organizations for the use of open source software, but we cannot be sure that all open source software is submitted for approval prior to use in our products.

Our failure to adequately protect personal information could have a material adverse effect on our business.

A wide variety of provincial, state, national, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data. These data protection and privacy-related laws and regulations are evolving and being tested in courts and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. Our failure to comply with applicable laws and regulations, or to protect such data, could result in enforcement action against us, including fines, imprisonment of company officials and public censure, claims for damages by end-customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing end-customers and prospective end-customers), any of which could have a material adverse effect on our operations, financial performance, and business. Evolving and changing definitions of personal data and personal information, within the European Union, the United States, and elsewhere, especially relating to classification of IP addresses, machine identification, location data, and other information, may limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing of data. Even the perception of privacy concerns, whether or not valid, may harm our reputation and inhibit adoption of our products by current and future end-customers.

A network or data security incident may allow unauthorized access to our network or data, harm our reputation, create additional liability and adversely impact our financial results.

Increasingly, companies are subject to a wide variety of attacks on their networks on an ongoing basis. In addition to traditional computer “hackers,” malicious code (such as viruses and worms), employee theft or misuse, and denial of service attacks, sophisticated nation-state and nation-state supported actors now engage in intrusions and attacks (including advanced persistent threat intrusions), and add to the risks to our internal networks and the information they store and process. Despite significant efforts to create security barriers to such threats, it is virtually impossible for us to entirely mitigate these risks. Any such breach could compromise our networks, creating system disruptions or slowdowns and exploiting security vulnerabilities of our products, and the information stored on our networks could be accessed, publicly disclosed, lost or stolen, which could subject us to liability and cause us financial harm. These breaches may also result in damage to our reputation, negative publicity, loss of channel partners, end-customers and sales, increased costs to remedy any problem, and costly litigation and may therefore adversely impact market acceptance of our products.

We license technology from third parties, and our inability to maintain those licenses could harm our business.

We incorporate technology that we license from third parties, including software, into our products and services. We cannot be certain that our licensors are not infringing the intellectual property rights of third parties or that our licensors have sufficient rights to the licensed intellectual property in all jurisdictions in which we may sell our products. Some of our agreements with our licensors may be terminated for convenience by them. If we are unable to continue to license any of this technology because of intellectual property infringement claims brought by third parties against our licensors or against us, or if we are unable to continue our license agreements or enter into new licenses on commercially reasonable terms, our ability to develop and sell products and services containing that technology would be severely limited, and our business could be harmed. Additionally, if we are unable to license necessary technology from third parties, we may be forced to acquire or develop alternative technology, which we may be unable to do in a commercially feasible manner or at all, and that may require us to use alternative technology of lower quality or performance standards. This would limit and delay our ability to offer new or competitive products and services and increase our costs of production. As a result, our margins, market share, and operating results could be significantly harmed.

Misuse of our products could harm our reputation and divert resources.

Our products may be misused by end-customers or third parties that obtain access to our products. For example, our products could be used to censor private access to certain information on the Internet. Such use of our products for censorship could result in negative press coverage and negatively affect our reputation.

We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.

Because we incorporate encryption technology into our products, certain of our products are subject to U.S. export controls and may be exported outside the U.S. only with the required export license or through an export license exception. If we were to fail to comply with U.S. export licensing requirements, U.S. customs regulations, U.S. economic sanctions, or other laws, we could be subject to substantial civil and criminal penalties, including fines, incarceration for responsible employees and managers, and the possible loss of export or import privileges. Obtaining the necessary export license for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products to U.S. embargoed or sanctioned countries, governments, and persons. Even though we take precautions to ensure that our channel partners comply with all relevant regulations, any failure by our channel partners to comply with such regulations could have negative consequences for us, including reputational harm, government investigations, and penalties.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products or could limit our end-customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations may create delays in the introduction of our products into international markets, prevent our end-customers with international operations from deploying our products globally or, in some cases, prevent or delay the export or import of our products to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, financial condition, and operating results.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity, and teamwork fostered by our culture, and our business may be harmed.

We believe that a critical contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork, passion for customers, and focus on execution, as well as facilitating critical knowledge transfer and knowledge sharing. As we grow and change, we may find it difficult to maintain these important aspects of our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, continue to perform at current levels or execute on our business strategy.

Our financial condition and results of operations could suffer if there is an impairment of goodwill or intangible assets.

As of April 30, 2014, our goodwill and intangible assets were $204.7 million, and we have not recorded any goodwill or intangible assets impairments to date. We evaluate our goodwill for impairment on an annual basis in the fourth quarter of our fiscal year, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. Any excess of the goodwill carrying amount over its implied fair value is recognized as an impairment loss. This would result in incremental expense in the period in which the impairment was determined to have occurred. We cannot accurately predict the amount and timing of an impairment loss and any such impairment would have an adverse effect on our results of operations.

Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new products could reduce our ability to compete and could harm our business.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features to enhance our platform, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional equity or equity-linked financing, our stockholders may experience significant dilution of their ownership interests and the market price of our common stock could decline. Furthermore, if we engage in debt financing, the holders of our debt would have priority over the holders of our common stock, and we may be required to accept terms that restrict our ability to incur additional indebtedness. We may also be required to take other actions that would otherwise be in the interests of the debt holders and force us to maintain specified liquidity or other ratios, any of which could harm our business, operating results, and financial condition. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected.

We may not be able to successfully manage the growth of our business if we are unable to improve our internal systems, processes, and controls.

We need to continue to improve our internal systems, processes, and controls to effectively manage our operations and growth. We may not be able to successfully implement improvements to these systems, processes, and controls in an efficient or timely manner. We may not be able to successfully scale improvements to our enterprise resource planning system or implement and scale other systems and processes in a timely or efficient manner or in a manner that does not negatively affect our operating results. In addition, our systems and processes may not prevent or detect all errors, omissions, or fraud. We have licensed technology from third parties to help us improve our internal systems, processes, and controls. The support services available for such third-party technology may be negatively affected by mergers and consolidation in the software industry, and support services for such technology may not be available to us in the future. We may experience difficulties in managing improvements to our systems, processes, and controls or in connection with third-party software, which could impair our ability to provide products or services to our customers in a timely manner, causing us to lose customers, limit us to smaller deployments of our products, or increase our technical support costs.

We recently implemented a corporate structure more closely aligned with the international nature of our business activities, and if we do not achieve increased tax benefits as a result of our corporate structure, our financial condition and results of operations could be adversely affected.

We recently reorganized our corporate structure and intercompany relationships to more closely align with the international nature of our business activities. This corporate structure may allow us to reduce our overall effective tax rate through changes in how we use our intellectual property, international procurement, and sales operations. This corporate structure may also allow us to obtain financial and operational efficiencies. These efforts will require us to incur expenses in the near term for which we may not realize related benefits. If the structure is not accepted by the applicable taxing authorities, changes in domestic and international tax laws negatively impact the structure, including proposed legislation to reform U.S. taxation of international business activities, or we do not operate our business consistent with the structure and applicable tax provisions, we may fail to achieve the reduction in our overall effective tax rate and the other financial and operational efficiencies that we anticipate as a result of the structure and our future financial condition and results of operations may be negatively impacted.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below expectations of securities analysts and investors, resulting in a decline in the market price of our common stock.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock. Significant assumptions and estimates used in preparing our condensed consolidated financial statements include those related to revenue recognition, share-based compensation, contract manufacturing liabilities, warranties, loss contingencies, income taxes, and, with respect to business combinations, determining purchase price allocation and estimating the fair value of assets acquired and liabilities assumed.

Failure to comply with governmental laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local, and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws, consumer protection laws, anti-bribery laws, import/export controls, federal securities laws, and tax laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation resulting from any alleged noncompliance, our business, operating results, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions, litigation, and sanctions could harm our business, operating results, and financial condition.

If we fail to comply with environmental requirements, our business, financial condition, operating results, and reputation could be adversely affected.

We are subject to various environmental laws and regulations including laws governing the hazardous material content of our products and laws relating to the collection of and recycling of electrical and electronic equipment. Examples of these laws and regulations include the European Union, or EU, Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive, or RoHS, and the EU Waste Electrical and Electronic Equipment Directive, or WEEE, as well as the implementing legislation of the EU member states. Similar laws and regulations have been passed or are pending in China, South Korea, Norway, and Japan and may be enacted in other regions, including in the United States, and we are, or may in the future be, subject to these laws and regulations.

The EU RoHS and the similar laws of other jurisdictions limit the content of certain hazardous materials such as lead, mercury, and cadmium in the manufacture of electrical equipment, including our products. Currently, our products comply with the EU RoHS requirements. However, if there are changes to this or other laws (or their interpretation) or if new similar laws are passed in other jurisdictions, we may be required to reengineer our products to use components compatible with these regulations. This reengineering and component substitution could result in additional costs to us or disrupt our operations or logistics.

The WEEE Directive requires electronic goods producers to be responsible for the collection, recycling, and treatment of such products. Changes in interpretation of the directive may cause us to incur costs or have additional regulatory requirements to meet in the future in order to comply with this directive, or with any similar laws adopted in other jurisdictions.

We are also subject to environmental laws and regulations governing the management of hazardous materials, which we use in small quantities in our engineering labs. Our failure to comply with past, present, and future similar laws could result in reduced sales of our products, substantial product inventory write-offs, reputational damage, penalties, and other sanctions, any of which could harm our business and financial condition. We also expect that our products will be affected by new environmental laws and regulations on an ongoing basis. To date, our expenditures for environmental compliance have not had a material impact on our results of operations or cash flows, and although we cannot predict the future impact of such laws or regulations, they will likely result in additional costs and may increase penalties associated with violations or require us to change the content of our products or how they are manufactured, which could have a material adverse effect on our business, operating results, and financial condition.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and operating results.

Our sales contracts are primarily denominated in U.S. dollars, and therefore, substantially all of our revenue is not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our products to our end-customers outside of the United States, which could adversely affect our financial condition and operating results. In addition, an increasing portion of our operating expenses is incurred outside the United States, is denominated in foreign currencies, and is subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with currency fluctuations, our financial condition and operating results could be adversely affected. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and operating results.

Our business is subject to the risks of earthquakes, fire, power outages, floods, and other catastrophic events, and to interruption by man-made problems such as terrorism.

A significant natural disaster, such as an earthquake, fire, flood, or significant power outage could have a material adverse impact on our business, operating results, and financial condition. Both our corporate headquarters and the location where our products are manufactured are located in the San Francisco Bay Area, a region known for seismic activity. In addition, natural disasters could affect our supply chain, manufacturing vendors, or logistics providers' ability to provide materials and perform services

such as manufacturing products or assisting with shipments on a timely basis. In the event our or our service providers' information technology systems or manufacturing or logistics abilities are hindered by any of the events discussed above, shipments could be delayed, resulting in missed financial targets, such as revenue and shipment targets, for a particular quarter. In addition, acts of terrorism and other geo-political unrest could cause disruptions in our business or the business of our supply chain, manufacturers, logistics providers, partners, or end-customers or the economy as a whole. Any disruption in the business of our supply chain, manufacturers, logistics providers, partners, or end-customers that impacts sales at the end of a fiscal quarter could have a significant adverse impact on our future quarterly results. All of the aforementioned risks may be further increased if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above should result in delays or cancellations of customer orders, or the delay in the manufacture, deployment, or shipment of our products, our business, financial condition, and operating results would be adversely affected.

Risks Related to Ownership of Our Common Stock

Our actual operating results may differ significantly from our guidance.

From time to time, we have released, and may continue to release, guidance in our quarterly earnings releases, quarterly earnings conference call, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance, which includes forward-looking statements, has been and will be based on projections prepared by our management. These projections are not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our registered public accountants nor any other independent expert or outside party compiles or examines the projections. Accordingly, no such person expresses any opinion or any other form of assurance with respect to the projections.

Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We intend to state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to imply that actual results could not fall outside of the suggested ranges. The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from our guidance and the variations may be material. In light of the foregoing, investors are urged not to rely upon our guidance in making an investment decision regarding our common stock.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this "Risk Factors" section in this Quarterly Report on Form 10-Q could result in the actual operating results being different from our guidance, and the differences may be adverse and material.

The market price of our common stock may be volatile and the value of your investment could decline.

The market price of our common stock has been volatile since our initial public offering (IPO). Since shares of our common stock were sold in our IPO in July 2012 at a price of $42.00 per share, the reported high and low sales prices of our common stock has ranged from $80.84 to $39.08, through May 12, 2014. The market price of our common stock may fluctuate widely in response to various factors, some of which are beyond our control. These factors include:

- announcements of new products, services or technologies, commercial relationships, acquisitions or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of technology companies in general and of companies in our industry;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- whether our operating results meet the expectations of securities analysts or investors;
- actual or anticipated changes in the expectations of securities analysts or investors;
- litigation involving us, our industry, or both;
- regulatory developments in the United States, foreign countries or both;

- major catastrophic events;
- sales of large blocks of our stock;
- departures of key personnel; or
- economic uncertainty around the world, in particular, macroeconomic challenges in Europe.

In addition, if the market for technology stocks or the stock market in general experiences loss of investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results, or financial condition. The market price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Securities litigation could result in substantial costs and divert our management's attention and resources from our business. This could have a material adverse effect on our business, operating results and financial condition.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers, employees and significant stockholders, a large number of shares of our common stock becoming available for sale, or the perception in the market that holders of a large number of shares intend to sell their shares. As of April 30, 2014, we had outstanding approximately 77,055,000 shares of our common stock.

We have also registered shares of our common stock that we may issue under our employee equity incentive plans. These shares will be able to be sold freely in the public market upon issuance.

In addition, additional shares may be sold through registration statements on Form S-3 that we have agreed to file. As a result of our settlement with Juniper, Juniper will beneficially own approximately 1,544,000 shares of our common stock (including the shares of common stock underlying the warrant to be issued to Juniper). In accordance with the settlement agreement, we have agreed to file a registration statement on Form S-3 to register the resale of the shares held by Juniper no later than the later of (i) June 10, 2014 or (ii) three (3) business days following the date upon which a judgment or stipulation for entry of judgment has been issued by the courts in each pending court proceeding with Juniper (but in any event, no sooner than the date on which the warrant is issued). We have also agreed to file a registration statement on Form S-3 to register the resale of the approximately 1,557,000 shares of common stock issued to certain former shareholders of Cyvera Ltd. ("Cyvera"), in connection with our acquisition of Cyvera. Once these registration statements are effective, the shares held by Juniper and the former shareholders of Cyvera may be sold freely in the public market, with Juniper subject to our insider trading policy and other terms described in the settlement agreement. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

The issuance of additional stock in connection with financings, acquisitions, investments, our stock incentive plans or otherwise will dilute all other stockholders.

Our amended and restated certificate of incorporation authorizes us to issue up to 1,000,000,000 shares of common stock and up to 100,000,000 shares of preferred stock with such rights and preferences as may be determined by our board of directors. Subject to compliance with applicable rules and regulations, we may issue shares of common stock or securities convertible into shares of our common stock from time to time in connection with a financing, acquisition, investment, our stock incentive plans or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the market price of our common stock to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the listing requirements of the New York Stock Exchange, and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and increase demand on our systems and resources. Among other things, the Exchange Act requires that we file annual, quarterly, and current reports with respect to our business and operating results and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which

could harm our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire even more employees in the future, which will increase our costs and expenses.

Because we are no longer an “emerging growth company” as defined in the JOBS Act, we are subject to the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, enhanced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. While we were able to determine in our management's report for fiscal 2013 that our internal control over financial reporting is effective, as well as provide an unqualified attestation report from our independent registered public accounting firm to that effect, we have and will continue to consume management resources and incur significant expenses for Section 404 compliance on an ongoing basis. In the event that our chief executive officer, chief financial officer, or independent registered public accounting firm determines in the future that our internal control over financial reporting is not effective as defined under Section 404, we could be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits or other adverse actions requiring us to incur defense costs, pay fines, settlements or judgments and causing investor perceptions to be adversely affected and potentially resulting in a decline in the market price of our stock.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure, such as continued rulemaking pursuant to the Dodd-Frank Act of 2010 and related rules and regulations regarding the disclosure of conflict minerals that are mandated by the Dodd-Frank Act, are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expense and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain and maintain director and officer liability insurance, and in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our Audit Committee and Compensation Committee, and qualified executive officers.

We are obligated to maintain proper and effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or this internal control may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We are required, pursuant to the Exchange Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our auditors have issued an attestation report on our internal controls.

While we were able to determine in our management's report for fiscal 2013 that our internal control over financial reporting is effective, as well as provide an unqualified attestation report from our independent registered public accounting firm to that effect, we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion or our independent registered public accounting firm may not be able to formally attest to the effectiveness of our internal control over financial reporting in the future. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting that we are unable to remediate before the end of the same fiscal year in which the material weakness is identified, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to attest to the effectiveness of our internal controls or determine we have a material weakness in our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline.

If securities or industry analysts do not publish research or reports about our business, or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.

The trading market for our common stock, to some extent, depends on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us should downgrade our shares or change their opinion of our shares, industry sector, or products, our share price would likely decline. If one or more of these analysts should cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors, our president, our secretary, or a majority vote of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the issuance of preferred stock and management of our business or our amended and restated bylaws, which may inhibit the ability of an acquiror to effect such amendments to facilitate an unsolicited takeover attempt;
- the ability of our board of directors, by majority vote, to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquiror to amend the bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds

a) Unregistered Sales of Equity Securities

There were no sales of unregistered securities during the nine months ended April 30, 2014 other than those transactions previously reported to the SEC on our Current Reports on Form 8-K.

b) Use of Proceeds

None.

c) Purchases of Equity Securities by the Issuer

None.

ITEM 6. EXHIBITS

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

SIGNATURES

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

Date: June 2, 2014

PALO ALTO NETWORKS, INC.

By: /s/ STEFFAN C. TOMLINSON

Steffan C. Tomlinson

Chief Financial Officer

(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
4.1	Shareholders Agreement between the Registrant, Cyvera Ltd. and the shareholders named therein, dated March 22, 2014.				
10.1	Share Purchase Agreement between the Registrant, Cyvera Ltd., Palo Alto Networks Holding B.V., the shareholders of Cyvera Ltd. and Shareholder Representative Services LLC, dated March 22, 2014.				
10.2	Amendment No. 1 to the Share Purchase Agreement between the Registrant, Cyvera Ltd., Palo Alto Networks Holding B.V., the shareholders of Cyvera Ltd. and Shareholder Representative Services LLC, dated April 9, 2014.				
10.3	Settlement, Release and Cross-License Agreement, dated May 27, 2014, by and between the Registrant and Juniper Networks, Inc.	8-K	001-35594	10.1	May 28, 2014
31.1	Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.				
32.2†	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS††	XBRL Instance Document.				
101.SCH††	XBRL Taxonomy Schema Linkbase Document.				
101.CAL††	XBRL Taxonomy Calculation Linkbase Document.				
101.DEF††	XBRL Taxonomy Definition Linkbase Document.				
101.LAB††	XBRL Taxonomy Labels Linkbase Document.				
101.PRE††	XBRL Taxonomy Presentation Linkbase Document.				

† The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Palo Alto Networks, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

†† XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and is otherwise not subject to liability under these sections.

SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT (this "**Agreement**") is made and entered into as of March 22, 2014 by and among Palo Alto Networks, Inc., a Delaware corporation ("**Parent**"), Cyvera Ltd., a Company organized under the laws of the State of Israel (the "**Company**") and the shareholders of the Company that execute a counterpart signature page to this Agreement. This Agreement shall become effective at, and is contingent upon, the Closing.

W I T N E S S E T H

WHEREAS, Palo Alto Networks Holding B.V. ("**Buyer**") is a subsidiary of Parent.

WHEREAS, pursuant to that certain Share Purchase Agreement (the "**Purchase Agreement**") dated as of March 22, 2014, by and among Parent, Buyer, the Company, the shareholders of the Company listed therein and Shareholder Representative Services LLC, each shareholder of the Company will sell, convey, assign, transfer and deliver to Buyer, and Buyer shall purchase from each such shareholder all of the issued and outstanding shares of the Company on the terms, and subject to the conditions, set forth in the Purchase Agreement (such transactions being referred to herein, collectively, as the "**Acquisition**").

WHEREAS, as a condition and inducement to the willingness of the Company and the shareholders of the Company to enter into the Purchase Agreement, the Company and the shareholders of the Company have required that Parent enter into this Agreement.

WHEREAS, Parent is a well-known seasoned issuer (within the meaning of Rule 405 under the Securities Act) and is eligible to file an automatic shelf registration statement pursuant to Rule 462 of the Securities Act.

WHEREAS, in order to induce the shareholders of the Company to consummate the Acquisition and the other transactions contemplated by the Purchase Agreement, Parent is willing to enter into this Agreement.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt whereof is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. ***Definitions***. All capitalized terms that are used but not defined herein shall have the respective meanings ascribed to them in the Purchase Agreement. For all purposes of and under this Agreement, the following capitalized terms shall have the respective meanings below:

(a) **"Affiliate"** shall mean with respect to any Person, any Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control," when used with respect to any specified Person, shall mean the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through ownership of voting securities or by contract or otherwise, and the terms "controlling" and "controlled by" have correlative meanings to the foregoing.

(b) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

(c) **"Form S-3ASR"** means an automatic shelf registration statement filed pursuant to Rule 462 of the Securities Act.

(d) **“Holder”** means a shareholder of the Company to whom shares of Parent Common Stock are issued in the Acquisition pursuant to the Purchase Agreement or a transferee to whom registration rights granted under this Agreement are assigned pursuant to Section 6 hereof.

(e) **“Insider Trading Policy”** means, with respect to any given date, Parent’s insider trading policy as in effect on such date.

(f) **“Registrable Securities”** means, for each Holder, (i) the number of shares of Parent Common Stock issuable to such Holder in the Acquisition at the Closing (provided that any shares of Parent Common Stock placed in escrow or in holdback in accordance with the provisions of the Purchase Agreement shall be deemed issued at the Closing for the purposes hereof; provided, further, that Parent shall use commercially reasonable efforts to provide, in compliance with applicable Law, that such shares of Parent Common Stock placed in escrow or in holdback in accordance with the provisions of the Purchase Agreement will be free of any restrictive legends upon the Escrow Release Date, except in respect of such shares held by Affiliates of Parent) pursuant to the Purchase Agreement (as adjusted for any stock split, combination or other recapitalization or reclassification after the Closing) and (ii) any Parent Common Stock issued as a dividend or other distribution with respect to or in exchange for or in replacement of the stock referenced in clause (i) above, and for all Holders, the sum of the Registrable Securities held by them as a group; provided, however, that shares of Parent Common Stock held by a particular Holder shall cease to be Registrable Securities (x) after the Registration Statement (as defined herein) with respect to the sale of such securities shall have been declared effective under the Securities Act and such securities shall have been disposed of in accordance with the Registration Statement (as defined herein) and with Section 2 hereof, or (y) at such time as such Holder is eligible to sell such securities under Rule 144 of the Securities Act without any limitation as to volume.

(g) **“Securities Act”** means the Securities Act of 1933, as amended.

(h) **“SEC”** means the United States Securities and Exchange Commission.

2. ***Registration of Offers and Sales of Registrable Securities.***

(a) As soon as reasonably practicable following the Closing (and in any event no later than three (3) Business Days following the opening of the next regularly scheduled trading window of Parent; provided that Parent will not have to file during any time period that a Suspension Notice (as defined below) is in effect in accordance with **Section 3**), Parent shall use commercially reasonable efforts to file with the SEC a registration statement (the “**Registration Statement**”) on Form S-3ASR covering the resale of all Registrable Securities; provided, however, that (i) Parent shall not be required to file the Registration Statement contemplated by this **Section 2(a)** during a trading “blackout” period under Parent’s Insider Trading Policy; provided further, however, that Parent’s obligation to include the Registrable Securities of each Holder in the Registration Statement shall be expressly conditioned upon Parent’s prior receipt of all information and materials regarding such Holder as reasonably requested by Parent and the taking of all action required to be taken by such Holder under applicable Law in order to permit Parent to comply with all applicable requirements of the Securities Act and the Exchange Act in connection with the registration of the Registrable Securities of such Holder under the Securities Act. Parent shall notify each Holder as promptly as possible and provide Representative with a copy of any related Prospectus to be used in connection with the sale or other disposition of the Parent Common Stock covered thereby for each Holder who at such time holds Registrable Securities covered by such Registration Statement.

(b) Parent shall use its commercially reasonable efforts to: (i) keep the Registration Statement effective until the earlier to occur of (A) the date on which all Registrable Securities included in

the Registration Statement have been sold or (B) the six-month anniversary of the effectiveness of the Registration Statement; (ii) prepare and file with the SEC such amendments to the Registration Statement and amendments or supplements to the prospectus used in connection therewith as may be necessary to comply with the provisions of the Securities Act with respect to the sale or other disposition of all Registrable Securities included in the Registration Statement; (iii) furnish to each Holder such number of copies of any prospectus (including any preliminary prospectus and any amended or supplemented prospectus) in conformity with the requirements of the Securities Act as each Holder may reasonably request in order to effect the offering and sale of the Registrable Securities to be offered and sold by such Holder thereunder; (iv) register or qualify the Registrable Securities covered by the Registration Statement under the securities or blue sky laws of such jurisdictions as each Holder shall reasonably request; provided, however, that Parent shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such jurisdiction where it has not been qualified or is not otherwise subject to a general consent for service of process); (v) in the event of the issuance of any stop order suspending the effectiveness of the Registration Statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any Registrable Securities included in the Registration Statement for sale in any jurisdiction, obtain promptly the withdrawal of such order; and (vi) list all Registrable Securities included in the Registration Statement on the New York Stock Exchange.

3. ***Suspension of Offers and Sales of Registrable Securities Under Registration Statement***. At any time from and after the effective date of the Registration Statement, Parent may restrict offers and sales or other dispositions of Registrable Securities under the Registration Statement, and a Holder will not be able to offer or sell or otherwise dispose of Registrable Securities thereunder, by delivering a written notice (a "**Suspension Notice**") to all Holders of Registrable Securities (such delivery shall be made to such Holder's address set forth opposite each such Holder's name on the Payment Spreadsheet) stating that a delay in the offer and sale or other disposition of Registrable Securities is necessary because Parent, in its reasonable good faith judgment, has determined that the offer and sale or other disposition of Registrable Securities would require public disclosure by Parent of material nonpublic information that is not included in the Registration Statement and that immediate disclosure of such information would be materially detrimental to Parent; *provided, however*, Parent may not suspend offers and sales or other dispositions of Registrable Securities pursuant to this **Section 3** for more than forty-five (45) days at any one time and for more than ninety (90) days in the aggregate. Promptly following the cessation or discontinuance of the facts and circumstances forming the basis for any Suspension Notice, Parent shall use its commercially reasonable efforts to amend the Registration Statement and/or amend or supplement the related prospectus included therein to the extent necessary, and take all other actions reasonably necessary, to allow the offer and sale or other disposition of Registrable Securities to recommence as promptly as possible, and promptly notify all Holders of Registrable Securities in writing when such offers and sales or other dispositions of Registrable Securities under the Registration Statement may recommence. Upon receipt of a Suspension Notice, Holders shall immediately suspend their use of the Registration Statement and any prospectus included therein or forming a part thereof to offer and sell or otherwise dispose of Registrable Securities, and shall not offer or sell or otherwise dispose of Registrable Securities under the Registration Statement or any prospectus included therein or forming a part thereof until receipt of a notice from Parent pursuant to the preceding sentence that offers and sales or other dispositions of Registrable Securities may recommence. Holders shall keep the fact that Parent has delivered a Suspension Notice and any non-public information provided by Parent in connection therewith confidential, shall not disclose or reveal the Suspension Notice or any such information to any person or entity and shall not use such information for securities trading or any other purpose. If as a result of thereof the Prospectus included in such Registration Statement has been amended to comply with the requirements of the Securities Act, Parent shall notify the Holders of such amendment, and the Holders may thereafter request copies thereof from Parent as provided in **Section 2(b)**.

4. ***Fees and Expenses***. All of the out-of-pocket expenses incurred in connection with any registration of Registrable Securities pursuant to this Agreement, including all SEC fees, blue sky registration and filing fees, New York Stock Exchange notices and filing fees, printing fees and expenses, transfer agents' and registrars' fees and expenses, and all reasonable fees and expenses of Parent's outside counsel and independent accountants shall be paid by Parent. Parent shall not be responsible for any legal fees for any Holder or any selling expenses of any Holder (including any broker's fees or commissions).

5. ***Indemnification***.

(a) Parent shall indemnify and hold harmless each Holder, and each of its directors, officers and employees and other agents and representatives, and each person controlling such Holder within the meaning of Section 15 of the Securities Act (each, a "**Seller Indemnified Party**"), with respect to which registration, qualification or compliance has been effected pursuant to this Agreement, from and against all losses, damages and liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in the Registration Statement, the prospectus forming a part thereof or included therein, and any amendment or supplement thereto, incident to any such registration, qualification or compliance, or based on any 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 any violation by Parent of any rule or regulation promulgated under the Securities Act or state securities laws applicable to Parent in connection with any such registration, qualification or compliance, and shall reimburse each Seller Indemnified Party for any legal and any other expenses reasonably incurred in connection with investigating, preparing or defending any lawsuit, claim or action relating thereto; provided, however, that Parent shall not be required to indemnify, or otherwise be liable to, any Seller Indemnified Party to the extent that any such loss, damage, liability or expense arises out of, or is based on, (i) any untrue statement or omission or alleged untrue statement or omission, made in reliance upon and in conformity with written information furnished by or on behalf of any Seller Indemnified Party to Parent specifically for use therein, or (ii) the failure of any Seller Indemnified Party to comply with its covenants and agreements hereunder.

(b) If Registrable Securities held by a Holder are included in the securities as to which such registration, qualification or compliance is being effected, such Holder shall indemnify and hold harmless Parent, each of its directors, officers, employees and other agents and representatives, each person controlling Parent within the meaning of Section 15 of the Securities Act, and Parent's legal counsel and independent accountants, as well as each other Holder, each such Holder's directors, officers, employees and other agents and representatives, and each person controlling each such other Holders within the meaning of Section 15 of the Securities Act (each a "**Parent Indemnified Party**"), from and against all losses, damages and liabilities (or actions in respect thereof) arising out of, or based on, any untrue statement (or alleged untrue statement) of a material fact contained in the Registration Statement, the prospectus forming a part thereof or included therein, and any amendment or supplement thereto, incident to any such registration, qualification or compliance, or any 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 any violation by such Holder of any rule or regulation promulgated under the Securities Act or state securities laws applicable to such Holder in connection with any such registration, qualification or compliance, and shall reimburse each Parent Indemnified Party for any legal or any other expenses reasonably incurred in connection with investigating or defending any such lawsuit, claim or action relating thereto, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished by such Holder to Parent specifically for use therein.

(c) Each party entitled to indemnification under this **Section 5** (the "**Indemnified Party**") shall give notice to the party required to provide indemnification (the "**Indemnifying Party**") promptly after such Indemnified Party has written notice of any lawsuit, claim or action as to which indemnity may be sought hereunder, and shall permit the Indemnifying Party to assume the defense of any such lawsuit, claim or action; provided, however, that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld, delayed or conditioned), and the Indemnified Party may participate in such defense at such party's expense, and provided further, however, that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement except to the extent, but only to the extent, that the Indemnifying Party's ability to defend against such claim or litigation is materially and adversely impacted by the failure to give such notice. No Indemnifying Party, in the defense of any such lawsuit, claim or action shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to the Indemnified Party of a release from all liability in respect to such lawsuit, claim or action.

(d) If the indemnification provided for in this **Section 5** is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, liability, claim, damage or expense referred to herein, then the indemnifying party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other hand in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations; provided, however, that (i) no contribution by any Holder, when combined with any amounts paid by such Holder pursuant to **Section 5(b)**, shall exceed the net proceeds from the offering received by such Holder and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The relative fault of the Indemnifying Party and the Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The obligations of Parent and each Holder under this **Section 5** shall survive the completion of any offering and sale or other disposition of Registrable Securities in the Registration Statement filed with the SEC pursuant to this Agreement.

6. ***Limitation on Assignment of Registration Rights***. The registration rights of a Holder under this Agreement with respect to any Registrable Securities may not be transferred unless and until (a) such Holder shall have given Parent written notice of the transfer of such Registrable Securities prior to the time of such transfer, stating the name and address of the transferee and identifying the Registrable Securities with respect to which the rights under this Agreement are proposed to be transferred; (b) if requested by Parent, such Holder shall have furnished to Parent an opinion of counsel, reasonably satisfactory to Parent, to the effect that such transfer will not require registration of such Registrable Securities under the Securities Act; (c) such transferee shall have agreed in writing for the benefit of Parent, in form and substance reasonably satisfactory to Parent, to be bound as a Holder by the provisions of this Agreement; and (d) such transferee shall have delivered such other information to Parent as Parent may reasonably request to permit Parent to carry out Parent's obligations under this Agreement. Notwithstanding the foregoing, no transfer of rights under this Agreement shall be permitted if, immediately following such transfer, the offer and sale or other disposition of Registrable Securities by the transferee is not restricted under the Securities Act.

7. ***Information by Holder***. Any Holder of Registrable Securities to be included in the Registration Statement shall furnish to Parent such information regarding such Holder, the Registrable Securities held by such Holder and the offer and sale or other distribution proposed by such Holder as Parent may reasonably request and as shall be required by applicable law in connection with any registration, qualification or compliance contemplated by this Agreement. At such time as each holder of Registrable Securities no longer holds any Registrable Securities, such holder of Registrable Securities shall promptly notify Parent of such fact.

8. ***Reports Under Exchange Act***. Subject to Section 2 of this Agreement, for a period of six months following the effectiveness of the Registration Statement and in any event until one year following the Closing, Parent shall (a) use its commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of Parent under the Securities Act and the Exchange Act, and (b) furnish to each Holder, forthwith upon request (i) a written statement by Parent whether or not it has complied with the reporting requirements of the Exchange Act, and whether or not it qualifies as a registrant whose securities may be resold pursuant to Form S-3ASR or Rule 144 and (ii) a copy of the most recent annual or quarterly report of Parent.

9. ***Representations and Warranties of Holders***. Each Holder hereby represents and warrants to Parent, severally and not jointly, with respect to itself as of the date hereof and as of the Closing Date:

(a) No Registration. Such Holder understands that the shares of Parent Common Stock 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 such Holder's representations as expressed herein or otherwise made pursuant hereto.

(b) Investment Intent. Such Holder is acquiring the shares of Parent Common Stock for investment for its own account, not as a nominee or agent, and not with the view to, or for sale in connection with, any distribution thereof, and that such Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. Such Holder further represents that it does not have any contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participation to such Person or to any third Person with respect to the shares of Parent Common Stock.

(c) Investment Experience. Such Holder has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to Parent and acknowledges that such Holder can protect its own interests. Such Holder has such knowledge and experience in financial and business matters so that such Holder is capable of evaluating the merits and risks of ownership of Parent Common Stock.

(d) Residency. The residency of such Holder (or, in the case of a Person who is not an individual, such Person's principal place of business) is correctly set forth on the Payment Spreadsheet.

(e) Rule 144. Such Holder acknowledges that the shares of Parent Common Stock must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available. Such Holder is aware of the provisions of Rule 144 promulgated under the Securities Act which permit resale of shares purchased in a private placement subject to the satisfaction of certain conditions, which may include, among other things, the availability of certain current public information about the Company; the resale occurring not less than a specified period after a party has purchased and paid for the security to be sold; the number of shares being sold during any three-month period not exceeding specified limitations; the sale being effected through a "brokers' transaction," a transaction directly with a

"market maker" or a "riskless principal transaction" (as those terms are defined in the Securities Act or the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder); and the filing of a Form 144 notice, if applicable. Such Holder acknowledges that, in the event the applicable requirements of Rule 144 are not met, registration under the Securities Act or an exemption from registration will be required for any disposition of the shares of Parent Common Stock. Such Holder understands that, although Rule 144 is not exclusive, the SEC has expressed its opinion that Persons proposing to sell restricted securities received in a private offering other than in a registered offering or pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales and that such Persons and the brokers who participate in the transactions do so at their own risk.

(f) Accredited Investor. Such Holder is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated by the SEC under the Securities Act and shall submit to Parent such further assurances of such status as may be reasonably requested by Parent. Such Holder has furnished or made available any and all information requested by Parent or otherwise necessary to satisfy any applicable verification requirements as to "accredited investor" status. Any such information is true, correct, timely and complete in all material respects.

(g) Tax Advisors. Such Holder has reviewed with its own Tax advisors the U.S. federal, state, local and foreign Tax consequences of the transactions contemplated by this Agreement. With respect to such matters, such Holder relies solely on such advisors and not on any statements or representations of Parent, Buyer or any of their respective agents, written or oral. Such Holder understands that it (and not Parent or Buyer) shall be responsible for all Taxes imposed on such Holder in connection with the transactions contemplated by this Agreement.

(h) No "Bad Actor" Disqualification Events. Neither (i) such Holder, (ii) any of its directors, officers, general partners or managing members, nor (iii) any beneficial owner of the Company's voting equity securities (in accordance with Rule 506(d) of the Securities Act) held by such Holder is subject to any Disqualification Event, except for Disqualification Events covered by Rule 506(d)(2) or (d)(3) under the Securities Act and disclosed reasonably in advance of the Closing in writing in reasonable detail to Parent.

10. ***Notices***. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be made and given in compliance with the provisions of Section 11.1 of the Purchase Agreement and, if to a Holder, to such Holder's address set forth opposite each such Holder's name on the Payment Spreadsheet.

11. ***Amendment of Registration Rights***. Holders of a majority of the Registrable Securities from time to time outstanding may, with the consent of Parent, amend the registration rights granted hereunder.

12. ***Governing Law***. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

13. ***Exclusive Jurisdiction***. Each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of the Court of Chancery of the State of Delaware in connection with any matter based upon or arising out of this Agreement and the other transactions contemplated by this Agreement or any other matters contemplated herein (or, only if the Court of Chancery of the State of Delaware declines to accept jurisdiction over a particular matter, any federal court within the State of Delaware). Each party agrees not to commence any legal proceedings related hereto except in such Court of Chancery (or, only if the Court of Chancery of the State of Delaware declines to accept jurisdiction over a particular matter, in any federal court within the State of Delaware). By execution and delivery of this Agreement, each party

hereto irrevocably and unconditionally submits to the exclusive jurisdiction of such courts and to the appellate courts therefrom solely for the purposes of disputes arising under the this Agreement and not as a general submission to such jurisdiction or with respect to any other dispute, matter or claim whatsoever. The parties hereto irrevocably consent to the service of process out of any of the aforementioned courts in any such action or proceeding by the delivery of copies thereof by overnight courier to the address for such party to which notices are deliverable hereunder. Any such service of process shall be effective upon delivery. Nothing herein shall affect the right to serve process in any other manner permitted by applicable law. The parties hereto hereby waive any right to stay or dismiss any action or proceeding under or in connection with this Agreement brought before the foregoing courts on the basis of (a) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason, or that it or any of its property is immune from the above-described legal process, (b) that such action or proceeding is brought in an inconvenient forum, that venue for the action or proceeding is improper or that this Agreement may not be enforced in or by such courts, or (c) any other defense that would hinder or delay the levy, execution or collection of any amount to which any party hereto is entitled pursuant to any final judgment of any court having jurisdiction.

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

15. ***Successors and Assigns***. Subject to the provisions of **Section 6**, the provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the successors and permitted assigns of the parties hereto.

16. ***Third Party Beneficiaries***. The holders of the Registrable Securities and the Shareholder Representative are intended third party beneficiaries of this Agreement and shall be entitled to enforce this Agreement against the undersigned in accordance with its terms.

17. ***Counterparts***. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart. The exchange of a fully executed Agreement (in counterparts or otherwise) by electronic transmission in .PDF format or by facsimile shall be sufficient to bind the parties to the terms and conditions of this Agreement.

(Remainder of page intentionally left blank.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

PALO ALTO NETWORKS, INC.

By: /s/ Mark McLaughlin
Name: Mark McLaughlin
Title: Chief Executive Officer

[SIGNATURE PAGE TO SHAREHOLDERS AGREEMENT]

CYVERA LTD.

By: /s/ Uri David Alter

Name: Uri David Alter

Title: Co-CEO

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
NETANEL DAVIDI

Name: Netanel Davidi

Title: Co-CEO

Signature: /s/ Netanel Davidi

[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
URI ALTER

Name: Uri David Alter
Title: Co-CEO
Signature: /s/ Uri David Alter
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
MOSHE BEN ABU

Name: Moshe Ben Abu

Title: CMH

Signature:

/s/ Moshe Ben Abu

[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
ETAY KASHTAN

Name: Etay Kashtan
Title: ________________
Signature: /s/ Etay Kashtan
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
I. KASHTAN ELECTRIC MATERIALS LTD.

Name	Etay Kashtan
Title:	CEO
Signature:	/s/ Etay Kashtan

[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
YADIN KOLITZ

Name: Yadin Kolitz
Title:
Signature: /s/ Yadin Kolitz
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
BLUMBERG CAPITAL III, L.P.

By Blumberg Capital Management III, LLC,
its General Partner

By: /s/ David J. Blumberg
Name: David J. Blumberg
Title: Managing Member
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
EMC IRELAND HOLDINGS

By: /s/ Paul T. Dacier
Name: Paul T. Dacier
Title: Authorized Signatory
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
YARIV GILAT

Name: Yariv Gilat
Title:
Signature: /s/ Yariv Gilat
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
ELI BEN-DOR

Name: Eli Ben-Dor
Title:
Signature: /s/ Eli Ben-Dor
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
OFIR SHALVI

Name: Ofir Shalvi
Title:
Signature: /s/ Ofir Shalvi
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
EHUD WEINSTEIN

Name: Ehud Weinstein
Title:
Signature: /s/ Ehud Weinstein
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
ADRIAN WELLER

Name: Adrian Weller
Title: Individual
Signature: /s/ Adrian Weller
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
BATTERY VENTURES IX, L.P.

By Battery Partners IX, LLC,
its General Partner

By: /s/ R. David Tabors
Name: R. David Tabors
Title: Managing Member
[REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SHAREHOLDER
BATTERY INVESTMENT PARTNERS IX, LLC

By Battery Partners IX, LLC,
Its Managing Member

By: /s/ R. David Tabors
Name: R. David Tabors
Title: Managing Member
[REDACTED]

EXECUTION VERSION

SHARE PURCHASE AGREEMENT

by and among

PALO ALTO NETWORKS, INC.,

PALO ALTO NETWORKS HOLDING B.V.,

CYVERA LTD.,

THE EXECUTING SHAREHOLDERS LISTED ON EXHIBIT A HERETO

AND

SHAREHOLDER REPRESENTATIVE SERVICES LLC,
AS THE EXCLUSIVE REPRESENTATIVE OF
THE INDEMNIFYING PARTIES NAMED HEREIN

March 22, 2014

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EXECUTION VERSION

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement") is made and entered into as of March 22, 2014, by and among Palo Alto Networks, Inc., a Delaware corporation ("Parent"), Palo Alto Networks Holding B.V., a company organized under the laws of the Netherlands ("Buyer"), Cyvera Ltd., a company organized under the laws of the State of Israel (the "Company"), each Executing Company Shareholder listed on Exhibit A under the column entitled "Executing Shareholder" (the "Executing Shareholders"), and Shareholder Representative Services LLC, a Colorado limited liability company, solely in its capacity as the exclusive representative of the Indemnifying Parties in connection with the transactions contemplated by this Agreement (the "Representative").

W I T N E S S E T H:

WHEREAS, the Executing Shareholders and the remaining shareholders of the Company identified in Exhibit A of this Agreement (the "Non-Executing Shareholders") collectively are as of the date hereof, and will be as of immediately prior to the Closing, the beneficial and record owners of all of the issued and outstanding Company Shares, and the Executing Shareholders collectively are as of the date hereof the beneficial and record owners of at least 90% (ninety percent) of the issued and outstanding Company Shares.

WHEREAS, on the terms and subject to the conditions set forth in this Agreement, each of the Executing Shareholders, Parent and Buyer wish to consummate the Acquisition, pursuant to which each Company Shareholder shall sell, convey, assign, transfer and deliver to Buyer, and Buyer shall purchase from each Company Shareholder, all of the Company Shares free and clear of all Liens.

WHEREAS, the Board of Directors of the Company has determined that the Acquisition and this Agreement are fair to and in the best interests of the Company and the Company Shareholders and has approved this Agreement in accordance with applicable provisions of the laws of the State of Israel and approved the Acquisition and the other transactions contemplated by this Agreement.

WHEREAS, the Company Shareholders that hold the required majority of the issued and outstanding Company Shares has determined that it is in the best interests of the Company that it enter into this Agreement upon the terms and subject to the conditions set forth in this Agreement, and concurrently with the execution of this Agreement, such Company Shareholders have either held a Special General Meeting of the Company Shareholders and passed a legally valid resolution, or executed and delivered an action by unanimous written consent, in each case evidencing such approval (the "Shareholder Consent").

WHEREAS, the Boards of Directors of each of Parent and Buyer have determined that the Acquisition and this Agreement are fair to and in the best interests of Parent and Buyer, respectively, and have approved this Agreement in accordance with the provisions of applicable Law and approved the Acquisition and the other transactions contemplated by this Agreement.

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to the willingness of Parent and Buyer to enter into this Agreement, Parent, Buyer, the Company, the Representative and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), are entering into an escrow agreement (the "Escrow Agreement"), the effectiveness of which is contingent upon, and shall be as of, the consummation of the Acquisition, pursuant to which the Escrow Agent will hold a portion of the Total Consideration otherwise payable to the Indemnifying Parties under this Agreement as security against the indemnification obligations of the Indemnifying Parties under this Agreement, the Escrow Agreement and the Certificates (as defined herein).

WHEREAS, concurrently with the execution and delivery of this Agreement, and as a condition and inducement to the willingness of Parent and Buyer to enter into this Agreement, (i) each of the Founders has entered into and delivered to Parent and Buyer a non-competition and non-solicitation agreement to become effective subject to the consummation of the Closing and as of the Closing Date (the "Non-Competition Agreements"); and (ii) each of the Persons listed on Schedule 3.3(b)(ix)(A) (each, a "Key Employee" and collectively, the "Key Employees") has entered into such employment documents as Parent or Buyer may reasonably request, including an "at will" employment arrangement with Parent, Buyer or a Subsidiary thereof (including with the Company post-Closing, as Parent or Buyer may determine) to become effective subject to the consummation of the Closing and as of the Closing Date pursuant to his or her execution and delivery of an offer letter and a proprietary information and inventions assignment agreement, each in a form acceptable to Parent or Buyer (collectively, the "Key Employee Employment Agreements").

WHEREAS, concurrently with the execution of this Agreement, and as a material inducement to the willingness of Parent and Buyer to enter into this Agreement, each Founder is executing a Stock Holdback Agreement (each, a "Holdback Agreement"), pursuant to which a portion of the equity consideration payable to such Founder pursuant to this Agreement shall be subject to certain restrictions, in each case as set forth in the applicable Holdback Agreement and subject to the terms and conditions thereof. Pursuant to each Founder's Holdback Agreement and the Escrow Agreement, such Founder's pro rata share of any indemnification obligations shall be satisfied out of his Founder Holdback Indemnity Portion, subject to the same terms and conditions applicable to the Escrow Amount.

WHEREAS, concurrently with the execution of this Agreement and, as a material inducement to the willingness of the Executing Shareholders to enter into this Agreement, Parent and each Executing Shareholder is entering into a Shareholders Agreement (the "Shareholders Agreement"), the effectiveness of which is contingent upon the consummation of the Closing.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereby agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATIONS

1.1 Certain Definitions. For purposes of and under this Agreement, the following terms shall have the following respective meanings:

(a) "102 Trust Period" shall mean the minimum trust period required by the capital gains track of Section 102(b)(2) of the Israel Tax Ordinance.

(b) "102 Trustee" shall mean the trustee appointed by the Company in accordance with the provisions of the Israel Tax Ordinance, and approved by the Israel Tax Authority, with respect to Company 102 Securities.

(c) "104H Trustee" means the trustee appointed by the Company in accordance with the provisions of Section 104H of the Israel Tax Ordinance, and to be approved by the Israel Tax Authority in the 104H Ruling.

(d) "Action" shall mean any private or governmental action, suit, claim, charge, cause of action or suit (whether in contract or tort or otherwise), litigation (whether at Law or in equity, whether civil or criminal), controversy, assessment, arbitration, investigation, audit, hearing, complaint, demand or other proceeding to, from, by or before any arbitrator, court, tribunal or other Governmental Authority.

(e) "Adjusted Net Cash Amount" shall mean an amount (whether positive or negative) equal to, as of the Closing, (i) the sum, without duplication, of (A) the current assets of the Company as of the Closing, determined in accordance with GAAP, including, without limitation, unrestricted cash and cash equivalents of the Company *plus* (B)(1) Current Accounts Receivable, (2) the aggregate amount of the prepaid expenses and lease deposits set forth in Schedule 1.1(e), and (3) the Aggregate Option Exercise Amount *minus* (ii) the sum of, without duplication, (A) all current Liabilities of the Company that would be required to be reflected on a balance sheet in accordance with GAAP and (B) those items set forth on Schedule 1.1(e). For the avoidance of doubt, Liabilities shall not be taken into account in the Adjusted Net Cash Amount to the extent that they are (x) repaid or terminated without further obligation before the Closing, (y) repaid at the Closing without further obligation through the use of funds that are both (i) not included as cash or cash equivalents in the calculation of the Adjusted Net Cash Amount and (ii) not provided by Parent or Buyer on behalf of the Company or any Company Securityholder or (z) taken into account in the Founder Retained Amount.

(f) "Aggregate Cash Consideration" shall mean an amount in cash equal to the total amounts payable in cash to Company Shareholders and holders of Vested Company Options and Vested Promised Options under Section 2.1(b)(i)(A), Section 2.1(b)(ii)(A), Section 2.1(b)(iii), Section 2.1(b)(iv) and Section 2.1(b)(v).

(g) "Aggregate Option Exercise Amount" shall mean the aggregate amount that would be payable to the Company by (i) each holder of Company Options if such holder of Company Options exercised such Company Option so held in full immediately prior to the Closing and (ii) each holder of Promised Options as if such holder had exercised such Promised Option at the Promised Option Price in full immediately prior to the Closing, but excluding the exercise price in respect of, (A) Unvested Options allocated to Non-Continuing Employees, (B) Unvested Options allocated to Contractors of the Company whose service will not continue following the Closing, (C) Unvested Promised Options promised to Non-Continuing Employees or to Contractors whose service will not continue following the Closing).

(h) "Aggregate Stock Consideration" shall mean the number of shares of Parent Common Stock equal to the aggregate Per Stock Consideration in respect of all Company Shares payable to Company Shareholders under Section 2.1(b)(i)(B)and Section 2.1(b)(ii)(B).

(i) "Anti-Corruption and Anti-Bribery Laws" shall mean the Foreign Corrupt Practices Act of 1977, as amended, Title 5 of the Israeli Penalty Law (Bribery Transactions), the Israeli Prohibition on Money Laundering Law, 2000, any rules or regulations thereunder, or any other applicable United States or non-U.S. anti-corruption or anti-bribery laws or regulations.

(j) "Articles of Association" shall mean the Amended and Restated Articles of Association of the Company, as adopted by the Company Shareholders on June 13, 2013, as amended.

(k) "Base Consideration" shall mean an amount equal to Two Hundred Million Dollars ($200,000,000).

(l) "Behavioral Information" shall mean data collected from an IP address, web beacon, pixel tag, ad tag, cookie, JavaScript, local storage, software, or by any other means, or from a particular computer, Web browser, mobile telephone, or other device or application, where such data is or may be used to identify or contact an individual, device, or application (including, without limitation, by means of an advertisement or content), or to predict or infer the preferences, interests, or other characteristics of the device or of a user of such device or application or is otherwise used to target advertisements or other content to a device or application or to a user of such device or application.

(m) "Business Day(s)" shall mean each day that is not a Saturday, Sunday or other day on which Buyer is closed for business or banking institutions located in each of the State of California or Tel Aviv, Israel, are authorized or obligated by Law or executive order to close.

(n) "Cash-Out Shareholder" shall mean the individual listed on Schedule 1.1(n).

(o) "Certificates" shall mean the Closing Certificates and the Other Certificates.

(p) "Change in Control Payments" shall mean (i) any severance, retention, bonus or other similar payment to any Person under any Contract or Company Employee Plan, (ii) any forgiveness of Indebtedness, or (iii) any increase of any benefits otherwise payable by the Company including any "parachute payments" under Section 280G of the Code for which 280G Approval is not properly obtained, in each case of the foregoing clauses (i)–(iii), which are payable or become effective as a result of the execution and delivery of this Agreement by the Company and the Executing Shareholders or the consummation of the Acquisition or any other the transactions contemplated hereby.

(q) "Closing Certificates" shall mean the certificates delivered pursuant to Section 3.3(b)(xxiv).

(r) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(s) "Company 102 Options" shall mean the Company Options granted under Section 102 of the Israel Tax Ordinance.

(t) "Company 102 Securities" shall mean, collectively, Company 102 Options and Company 102 Shares.

(u) "Company 102 Shares" shall mean Company Ordinary Shares issued upon the exercise of any Company 102 Options and held by the 102 Trustee pursuant to the Israel Tax Ordinance.

(v) "Company 3(i) Options" shall mean the Company Options granted under Section 3(i) of the Israel Tax Ordinance.

(w) "Company Intellectual Property" shall mean any and all Intellectual Property and Intellectual Property Rights that are owned by, or claimed to be owned by, or exclusively licensed to, the Company or its Subsidiaries.

(x) "Company Material Adverse Effect" shall mean any change, event, circumstance or effect that, individually or in the aggregate with all other changes, events, circumstances and effects (collectively, "Effects") is or is reasonably likely to be materially adverse to the business, condition (financial or otherwise), assets, liabilities, results of operations of the Company and its Subsidiaries, taken as a whole; *provided*, *however*, that in determining whether a Company Material Adverse Effect has occurred or is

reasonably likely to occur, there shall be excluded any Effect on the Company or any of its Subsidiaries resulting from, or arising out of, any of the following (either alone or in combination): (i) general economic, business or political conditions (and changes thereto) or changes in, or conditions generally affecting, the Israeli, U.S. or international economy, the financial markets, or the industry in which the Company or any of its Subsidiaries operates; *provided*, *however*, that such changes or conditions do not have a materially disproportionate or unique effect on the Company relative to other companies operating in the industry in which the Company or any of its Subsidiaries operates; (ii) any generally applicable changes in laws, rules or regulations, or in GAAP, or in the official interpretation of any of the foregoing by any Person other than the Company, *provided*, *however*, that such changes do not have a materially disproportionate or unique effect on the Company relative to other companies operating in the industry in which the Company operates; and (iii) any failure by the Company or any of its Subsidiaries to meet any projections, forecasts or estimates of its consolidated revenue, bookings or earnings, in and of itself (it being understood that any underlying cause(s) of any such failure may be deemed to constitute, in and of itself, a Company Material Adverse Effect and may be taken into consideration when determining whether a Company Material Adverse Effect has occurred or, is reasonably likely to occur); (iv) effects resulting from the pendency of the transactions contemplated hereby including any disruption of customer, business partner or employee relationships that result from the announcement or pendency of this Agreement or the consummation of the Acquisition; (v) any declaration of war by or against, or an escalation of hostilities involving, or an act of terrorism against, any country where the Company or any of its Subsidiaries or their major sources of supply have material operations or where it or they has sales; *provided*, *however* that such acts do not affect the Company materially disproportionately as compared to other companies operating in the same industries or geographies as the Company; or (vi) any action taken by the Company or any Subsidiary as required by this Agreement.

(y) "Company Options" shall mean all issued and outstanding options (including commitments to grant options but excluding, for the avoidance of doubt, options reserved but not granted or promised), whether vested or unvested, to acquire Company Shares.

(z) "Company Ordinary Shares" shall mean the ordinary shares, nominal value NIS 0.10 per share, of the Company, including any Company Preferred Shares converted into Company Ordinary Shares prior to, or upon the occurrence of, the Closing.

(aa) "Company Preferred Shares" shall mean the Company's Preferred A Shares and Preferred B Shares.

(bb) "Company Products" shall mean the products or service offerings of the Company and its Subsidiaries (i) that have been or are being marketed, sold, offered, provided or distributed, or (ii) that are described on Schedule 1.1(bb).

(cc) "Company Registered Intellectual Property" shall mean all of the Registered Intellectual Property owned by, or filed in the name of, the Company or any of its Subsidiaries.

(dd) "Company Securities" shall mean all securities of the Company, including all Company Shares, Company Options, all other securities that are convertible into, or exercisable or exchangeable for, securities of the Company and any rights to acquire any securities of the Company, whether vested or unvested and whether subject to the satisfaction of time-based, performance-based or other conditions or criteria.

(ee) "Company Securityholders" shall mean all holders of Company Securities, including all Company Shareholders and all holders of Company Options.

(ff) "Company Shareholders" shall mean all holders of Company Shares.

(gg) "Company Shares" shall mean all of the issued and outstanding shares of the Company, including the Company Ordinary Shares and the Company Preferred Shares.

(hh) "Company Stock Plans" shall mean the Company's 2013 Share Incentive Plan and any other stock option plans or other equity-related plans of the Company or any of its Subsidiaries.

(ii) "Continuing Employee" shall mean the employees (which, for the avoidance of doubt, will not include consultants or independent contractors) of the Company and its Subsidiaries who remain employees of the Company, Parent, or any Subsidiary of Parent immediately following the Closing.

(jj) "Contract" shall mean any written or oral legally binding contract, agreement, instrument, commitment or undertaking of any nature (including leases, licenses, mortgages, notes, guarantees, sublicenses, subcontracts, letters of intent and purchase orders).

(kk) "Contractor" shall mean any current service provider, consultant, sub-contractor, sales agent, freelancer, director, advisory board members, office holders and independent contractor of the Company or each of its Subsidiaries or any ERISA Affiliate (excluding legal counsel to any of the forementioned and all Employees of the Company and of any Subsidiary thereof).

(ll) "Contributing Securityholder" shall mean (i) each Company Shareholder that is or becomes a signatory hereto, (ii) each holder of Vested Company Options and (iii) each holder of Vested Promised Options.

(mm) "Copyleft License" shall mean any license to Open Source that requires, as a condition of use, modification and/or distribution of the Open Source licensed under such license, that the Open Source, or other Intellectual Property incorporated into, derived from, used, or distributed with the Open Source: (i) be made available or distributed in a form other than binary code or object code form (e.g., Source Code form); (ii) be licensed for the purpose of preparing derivative works; (iii) be licensed under terms that allow the other Intellectual Property incorporated into, derived from, used, or distributed with the Open Source, or portions thereof or interfaces therefor, to be reverse engineered, reverse assembled or disassembled (other than by operation of Law); or (iv) be redistributable at no license fee. For all purposes of and under this Agreement, "Copyleft Licenses" shall include the GNU General Public License, the GNU Lesser General Public License, the GNU Affero General Public License, the Mozilla Public License, the Common Development and Distribution License, and the Eclipse Public License.

(nn) "Current Accounts Receivable" shall mean all accounts receivable of the Company and its Subsidiaries outstanding as of the Closing Date and less than 90 days past due that are owed to the Company and its Subsidiaries by customers determined in accordance with GAAP (net of reserves), which are set forth on the Adjusted Net Cash Amount Certificate.

(oo) "Employee Agreement" shall mean each employment, change in control, severance, consulting, relocation, repatriation, expatriation, visa, work permit or other agreement, contract or understanding between the Company and its Subsidiaries or any ERISA Affiliate and any Employee.

(pp) "Employee" shall mean any current employee of the Company, any of its Subsidiaries, or any ERISA Affiliate.

(qq) "Environmental Laws" shall mean all applicable Laws (including common laws), directives, guidance, rules, regulations, orders, treaties, statutes, and codes promulgated by any Governmental Authority which prohibit, regulate or control any Hazardous Substance or any Hazardous Substance Activity.

(rr) "Escrow Amount" shall mean, in respect of all Contributing Securityholders, the sum of the following: (i) the aggregate amount of each Contributing Securityholder that is a Company Shareholder (other than the Founders and the Cash-Out Shareholder), such Contributing Securityholder's Pro Rata Share of $40,000,000, payable 50% in shares of Parent Common Stock (having a value based on the Trading Price) and payable 50% in cash, (ii) the aggregate amount of each Contributing Securityholder that is a Founder, such Contributing Securityholder's Pro Rata Share of $40,000,000, payable entirely in shares of Parent Common Stock (having a value based on the Trading Price) subject to a Holdback Agreement with such Contributing Securityholder (such Parent Common Stock, the "Founder Holdback Indemnity Portion", and together with the Parent Common Stock described in clause (i), the "Escrow Stock Amount") and (iii) the aggregate amount of each Contributing Securityholder that is a Vested Company Optionholder, Vested Promised Optionholder or the Cash-Out Shareholder, such Contributing Securityholder's Pro Rata Share of $40,000,000, payable entirely in cash (such cash, together with the cash described in clause (i), the "Escrow Cash Amount"). In all events, the sum of the Escrow Cash Amount plus the value (based on the Trading Price) of the Escrow Stock Amount shall be $40,0000,000. The "Escrow Fund" shall mean the funds and shares of Parent Common Stock that comprise the Escrow Amount.

(ss) "Export and Import Approvals" shall mean all export licenses, license exceptions, consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings, from or with any Governmental Authority, that are required for compliance with Export and Import Control Laws.

(tt) "Export and Import Control Laws" shall mean any U.S. Law, regulation, or order or applicable non-U.S. Law (including but not limited to the Israeli Control of Products and Services Declaration (Engagement in Encryption), 1974, as amended and the Israeli Law of Regulation of Security Exports, 2007), regulation or order governing (i) imports, exports, re-exports, or transfers of products, services, software, or technologies from or to the United States, Israel or another country; (ii) any release of technology or software in any foreign country or to any foreign Person (anyone other than a citizen or lawful permanent resident of the United States, or a protected individual as defined by 8 U.S.C. § 1324b(a)(3)) located in the United States or abroad; (iii) economic sanctions or embargoes; or (iv) compliance with unsanctioned foreign boycotts.

(uu) "Founder Note" shall mean the promissory note between Netanel Davidi and the Company, dated as of the Closing Date, in the principal amount of Four Million Dollars ($4,000,000), having a maturity date three (3) years from the Closing Date, and otherwise in form and substance to be agreed upon prior to the Closing between the Company and Netanel Davidi and reasonably satisfactory to Parent.

(vv) "Founder Ordinary Shares" shall mean all Company Ordinary Shares held by a Founder and issued and outstanding immediately prior to the Closing.

(ww) "Founder Retained Amount" shall mean an amount equal to Four Million Dollars ($4,000,000).

(xx) "Founders" shall mean each of Uri Alter and Netanel Davidi.

(yy) "Fully-Diluted Shares" shall mean a number equal to (i) the aggregate number of Company Ordinary Shares which are issued and outstanding as of immediately prior to the Closing, *plus* (ii) the maximum aggregate number of Company Ordinary Shares issuable upon full exercise, exchange or

conversion of all Company Securities, plus (iii) the total number of Promised Options, but excluding, (A) dormant shares (*minayot radumot*) of the Company existing immediately prior to the Closing, (B) unallocated options, and (C) Unvested Options allocated to Non-Continuing Employees, (D) Unvested Options allocated to Contractors of the Company whose service will not continue following the Closing, (E) Unvested Promised Options promised to Non-Continuing Employees or to Contractors whose service will not continue following the Closing, all calculated on a fully diluted, as converted to Company Ordinary Shares basis, which are outstanding as of immediately prior to the Closing (it being clarified that this clause (i) shall not include any Company Securities to the extent already counted in clause (ii) above).

(zz) "GAAP" shall mean U.S. generally accepted accounting principles applied on a consistent basis.

(aaa) "Governmental Authority" shall mean any Israeli or U.S. federal, state, municipal or local or any foreign government, or political subdivision thereof, or any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or Taxing Authority or power, any court or tribunal (or any department, bureau or division thereof), or any arbitrator or arbitral body.

(bbb) "Hazardous Substance Activity" shall mean the transportation, transfer, recycling, storage, use, treatment, manufacture, removal, remediation, release, labeling, exposure of others to, sale, or distribution of any Hazardous Substance or any product or waste containing a Hazardous Substance, including, without limitation, any required payment of waste fees or charges (including so-called e-waste fees) and compliance with any recycling, product take-back or product content requirements (including RoHS, WEEE, and China RoHS) mandated by applicable Law.

(ccc) "Hazardous Substance" shall mean any material, emission, or substance that has been designated by applicable Law (including federal, state, foreign and local Law), or by any Governmental Authority pursuant to authority provided by applicable federal, state or local Law to be radioactive, toxic, a pollutant, a contaminant, hazardous, or otherwise a danger to health, reproduction, or the environment.

(ddd) "Holdback Trustee" shall mean ESOP Management and Trust Services Ltd.

(eee) "Indebtedness" shall mean, without duplication, the principal of and accrued and unpaid interest and premiums, (i) for borrowed money, (ii) evidenced by notes, bonds, debentures, letters of credit or similar instruments, (iii) for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the ordinary course of business), (iv) under capital leases or (v) in the nature of guarantees of the obligations described in clauses (i) through (iv) above of any other Person. For the avoidance of doubt, any Value Added Tax payable by the Company in connection with any of the obligations described in clauses (i) through (v) above shall not be regarded as Indebtedness.

(fff) "Intellectual Property" shall mean all forms of technology and intellectual property, including any or all of the following: (i) published and unpublished works of authorship (whether or not registered or registrable), including without limitation audiovisual works, collective works, software and computer programs (whether in Source Code, object code, or executable form), documentation, compilations, databases, derivative works, literary works, maskworks, and sound recordings ("Works of Authorship"); (ii) inventions (whether or not patentable), discoveries, improvements, business methods, compositions of matter, machines, methods, and processes and new uses for any of the preceding items ("Inventions"); (iii) information that is not generally known or readily ascertainable through proper means, whether tangible or intangible, including without limitation algorithms, ideas, designs, formulas, know-how, methods, processes, programs, designs, schematics, prototypes, devices, systems, and techniques ("Confidential Information");

(iv) databases, data compilations and collections of technical data ("Databases"); (v) words, names, symbols, devices, designs, and other designations, and combinations of the preceding items, used to identify or distinguish a business, good, group, product, or service or to indicate a form of certification, including without limitation logos, trade names, trade dress, trademarks and service marks ("Trademarks"); and (vi) domain names, web addresses and web sites ("Domain Names") .

(ggg) "Intellectual Property Rights" shall mean all rights in, arising out of, or associated with Intellectual Property (including the right to enforce and recover remedies) in any jurisdiction, including without limitation: (i) rights in, arising out of, or associated with Works of Authorship, including copyrights ("Copyrights"); (ii) rights in, arising out of, or associated with Databases; (iii) rights in, arising out of, or associated with Inventions, including patent rights ("Patent Rights"); (iv) rights in, arising out of, or associated with Trademarks, including trademark, service mark, and trade dress rights; (v) rights in, arising out of, or associated with Confidential Information, including trade secret rights ("Trade Secret Rights"); (vi) rights in, arising out of, or associated with a Person's name, voice, signature, photograph, or likeness, including without limitation rights of personality, privacy, and publicity; (vii) rights of attribution and integrity and other moral rights of an author, including the right of the author to be known as the author of his/her work, to prevent others from being named as the author of her work, to prevent others from making deforming or derogatory changes in her work in a manner that reflects negatively on or would be prejudicial to her professional standing, her goodwill, dignity, honor or reputation (including the rights of an author under Section 45 of the Israeli Copyright Law 2007 or under any other similar provision of any Law of any applicable jurisdiction) (collectively, "Moral Rights"); and (viii) rights in, arising out of, or associated with Domain Names.

(hhh) "Israeli Benefit Plan" shall mean each employee benefit plan established, maintained, contributed to or required to be established, maintained or contributed to by the Company or its or any of its Subsidiaries under Israeli Law, pursuant to which any current or former employee or director of the Company or any of its Subsidiaries who is resident in Israel has any current or future right to benefits, including, without limitation, Manager's Insurance (*Bituach Menahalim*) or other provident or pension funds (including education fund) which are not government-mandated but were set up by the Company or its Subsidiary, whether or not satisfying Company's legal obligation to pay statutory severance pay under the Israeli Severance Pay Law, 5723-1963.

(iii) "Israel Tax Ordinance" shall mean the Israeli Income Tax Ordinance (New Version), 1961, as amended, and the regulations and rules promulgated thereunder.

(jjj) "Knowledge" shall mean, with respect to any Person, (i) the actual knowledge of the members of the board of directors (or equivalent governing body) of such Person, and (ii) the actual knowledge of each Founder and any knowledge that such Founder would reasonably be expected to have if and to the extent that each such Founder had made reasonable inquiry, upon the exercise of reasonable business judgment, of all of the employees who directly report to each such Founder. "Known" shall have a correlative meaning.

(kkk) "Law" shall mean Israeli, U.S. federal, state, municipal or local or foreign laws, statutes, standard ordinances, codes, resolutions, promulgations, rules, regulations, orders, judgments, writs, injunctions, decrees, or any other similar legal requirements having the force or effect of Law.

(lll) "Liabilities" shall mean an amount (without double counting) equal to the sum of the Dollar amount of (i) with respect to any Person, all liabilities of such Person or any of its subsidiaries of any kind, including accounts payable, royalties payable and other reserves, accrued bonuses, accrued

vacation, employee expense obligations, and all other liabilities of such Person or any of its subsidiaries of any kind (and, with respect to the Company, shall include unpaid Pre-Closing Taxes), in each case whether or not such liabilities would be required to be reflected on a balance sheet in accordance with GAAP; and (ii) if applicable, (A) all Indebtedness of the Company and any of its Subsidiaries as of the applicable measurement date and (B) all Transaction Expenses that have not been paid prior to the Closing Date, in each case whether or not such liabilities would be required to be reflected on a balance sheet in accordance with GAAP.

(mmm) "Lien" shall mean any lien, statutory lien, pledge, mortgage, security interest, charge, claim, encumbrance, easement, right of way, covenant, restriction, right, option, conditional sale or other title retention agreement of any kind or nature or restriction on the right to sell or dispose and, in the case of securities, the right to vote, whether arising by contract or by operation of Law and whether voluntary or involuntary.

(nnn) "NIS" shall mean New Israeli Shekels.

(ooo) "Non-Continuing Employee" shall mean the employees of the Company listed on Schedule 1.1(ooo).

(ppp) "Other Certificates" shall mean (i) the certificate as to the Statement of Transaction Expenses delivered pursuant to Section 8.15, (ii) the Adjusted Net Cash Amount Certificate delivered pursuant to Section 8.16, (iii) the Current Accounts Receivable Certificate delivered pursuant to Section 8.17 and (iv) the Payment Spreadsheet delivered pursuant to Section 8.14.

(qqq) "Open Source" shall mean any Intellectual Property that is distributed under an open source, public source, or freeware license, which includes (i) any license approved by the Open Source Initiative or any similar license, (ii) any license that meets the "Open Source Definition" of the Open Source Initiative or the "Free Software Definition" of the Free Software Foundation, (iii) any Creative Commons license and (iv) to the extent not included in the foregoing (i), (ii), and (iii), any Copyleft License.

(rrr) "Optionholder Waiver and Acknowledgement" shall mean the optionholder waiver and acknowledgements, each in substantially the form attached hereto as Exhibit I.

(sss) "Parent Material Adverse Effect" shall mean any Effect that, individually or in the aggregate with all other Effects, is or is reasonably likely to be materially adverse to the business, condition (financial or otherwise), assets, liabilities, results of operations of Parent and its Subsidiaries, taken as a whole; *provided*, *however*, that in determining whether a Parent Material Adverse Effect has occurred or is reasonably likely to occur, there shall be excluded any Effect on Parent or any of its Subsidiaries resulting from, or arising out of, any of the following (either alone or in combination): (i) general economic, business or political conditions (and changes thereto) or changes in, or conditions generally affecting, the Israeli, U.S. or international economy, the financial markets, or the industry in which Parent or any of its Subsidiaries operates; *provided*, *however*, that such changes or conditions do not have a materially disproportionate or unique effect on Parent relative to other companies operating in the industry in which Parent or any of its Subsidiaries operates; (ii) any generally applicable changes in laws, rules or regulations, or in GAAP, or in the official interpretation of any of the foregoing by any Person other than Parent, *provided*, *however*, that such changes do not have a materially disproportionate or unique effect on Parent relative to other companies operating in the industry in which Parent operates; and (iii) any failure by Parent or any of its Subsidiaries to meet any projections, forecasts or estimates of its consolidated revenue, bookings or earnings, in and of itself (it being understood that any underlying cause(s) of any such failure may be deemed to constitute, in and of itself, a Parent Material Adverse Effect and may be taken into consideration when determining whether

a Parent Material Adverse Effect has occurred or, is reasonably likely to occur); (iv) effects resulting from the pendency of the transactions contemplated hereby, including any disruption of customer, business partner or employee relationships that result from the announcement or pendency of this Agreement or the consummation of the Acquisition; (v) any declaration of war by or against, or an escalation of hostilities involving, or an act of terrorism against, any country where Parent or any of its Subsidiaries or their major sources of supply have material operations or where it or they has sales; *provided*, *however* that such acts do not affect the Parent materially disproportionately as compared to other companies operating in the same industries or geographies as Parent or any of its Subsidiaries; (vi) any decline in the market price, or change in trading volume, of Parent Common Stock or any failure to meet internal or published projections, forecasts or revenue or earning predictions for any period; *provided* that the underlying causes of such decline, change or failure, may be considered in determining whether there was a Parent Material Adverse Effect or (vii) any action taken by Parent or any Subsidiary thereof as required by this Agreement.

(ttt) "Parent Common Stock" shall mean shares of the common stock, $0.0001 par value per share, of Parent.

(uuu) "Per Option Consideration" shall mean an amount in cash with respect to each Company Share underlying a Vested Company Option or a Vested Promised Option, as the case may be, equal to the excess, if any, of the Per Share Consideration over the applicable per share exercise price of such Vested Company Option or such Vested Promised Option Price, as the case may be.

(vvv) "Per Share Consideration" shall mean, in respect of each Company Share, each Vested Company Option and each Vested Promised Option, the quotient obtained by *dividing* (i) the Base Consideration *by* (ii) the Fully-Diluted Shares.

(www) "Per Share Net Cash Adjustment Consideration" shall mean, in respect of each Company Share, each Vested Company Option and each Vested Promised Option, an amount equal to the quotient obtained by *dividing* (i) the Adjusted Net Cash Amount *by* (ii) the Vested Fully-Diluted Shares.

(xxx) "Permits" shall mean all permits, registrations, certifications, clearances, consents, concessions, grants, franchises, licenses and other governmental authorizations and approvals.

(yyy) "Person" shall mean any individual, company, corporation, limited liability company, general or limited partnership, trust, proprietorship, joint venture, or other business entity, unincorporated association, organization or enterprise, or any Governmental Authority.

(zzz) "Personal Information" shall mean (i) any information that can be used to identify, contact or precisely locate a natural person, including name, address, telephone number, email address, financial account number, government-issued identifier, Internet protocol address or other persistent identifier, (ii) any "personal data," as defined by the European Union Data Protection Directive and any national Laws implementing such directive, and (iii) any "information," as defined by the Israeli Privacy Protection Law 5741-1981 and applicable Israeli judicial precedent defining such term.

(aaaa) "Pre-Closing Tax Period" shall mean any taxable period or portion thereof ending on or before the Closing Date.

(bbbb) "Pre-Closing Taxes" shall mean any Taxes of the Company or any of its Subsidiaries attributable to any Pre-Closing Tax Period that are not yet paid (including such Taxes that are not yet due and payable) as of the Closing Date, including any Transaction Payroll Taxes; *provided*, *however*, that any real, personal and intangible property Taxes for any Straddle Period shall be allocated to the portion of the

Straddle Period ending on the Closing Date on a daily basis, and all other Taxes for any Straddle Period shall be allocated as if such Straddle Period ended on the Closing Date, except that exemptions, allowances or deductions that are calculated on an annual basis (including depreciation and amortization deductions), other than with respect to property placed in service after the Closing, shall be allocated on a daily basis.

(cccc) "Preferred A Share" shall mean each of the Company's Series A Preferred Shares of nominal value NIS 0.10 each.

(dddd) "Preferred B Share" shall mean each of the Company's Series B Preferred Shares of nominal value NIS 0.10 each.

(eeee) "Preferred Shares" shall mean, collectively, the Preferred A Shares and the Preferred B Shares.

(ffff) "Private Information" shall mean Personal Information and Behavioral Information.

(gggg) "Promised Options" shall mean any and all options approved by the Board of Directors of the Company for grant to Employees and Consultants of Cyvera, Inc., but not yet granted as of the Closing.

(hhhh) "Pro Rata Share" shall mean, with respect to each Contributing Securityholder, a percentage equal to the quotient obtained by *dividing* (i) the aggregate amount of Total Consideration payable to such Contributing Securityholder under Section 2.1 in respect of such Contributing Securityholder's Company Shares, Vested Company Options and Vested Promised Options, *by* (ii) the aggregate amount of Total Consideration payable to all Contributing Securityholders under Section 2.1 in respect of all of the Contributing Securityholder's Company Shares, Vested Company Options and Vested Promised Options (in each case without giving effect to any escrow or expense holdbacks contemplated hereby). For purposes of clarity, the sum of all "Pro Rata Shares" of the Contributing Securityholders shall at all times equal 100% (one hundred percent).

(iiii) "Reasonable Best Effort(s)" shall mean the efforts, time and costs a prudent person desirous of achieving a result would use, expend or incur in similar circumstances to achieve such results as expeditiously as possible, *provided* that such person is not required to expend funds or assume liabilities beyond those that are reasonable in nature and amount in the context of the transactions contemplated hereby.

(jjjj) "Registered Intellectual Property" shall mean Intellectual Property Rights that have been registered, filed, certified or otherwise perfected or recorded with or by any Governmental Authority or other public or quasi-public legal authority.

(kkkk) "Related Agreements" shall mean documentation providing for the Shareholder Consent, the Escrow Agreement, the Shareholders Agreement, the Optionholder Waiver and Acknowledgements, the Non-Competition Agreements, the Holdback Agreements, the Employment Agreements and all other agreements and certificates, other than the Closing Certificates or Other Certificates, executed and delivered by or on behalf of the Company, any officers of the Company in their capacity as such, or any of the Company Securityholders in connection with this Agreement or any of the foregoing or any of the transactions contemplated hereby or thereby.

(llll) "Representative Expense Amount" shall mean $500,000.

(mmmm)"SEC" shall mean the United States Securities and Exchange Commission.

(nnnn) "Share Restriction Agreement" shall mean any share restriction, repurchase, forfeiture or other similar agreement between the Company and any other Person pursuant to which the Company has a right to repurchase Company Shares held by such Person upon terms and subject to certain conditions set forth therein.

(oooo) "Shrink-Wrapped Code" shall mean generally commercially available object code or binary code software (other than development tools and development environments) where available for a cost of not more than $5,000 for a perpetual license for a single user or work station (or $25,000 in the aggregate for all users and work stations).

(pppp)"Source Code" shall mean computer software and code, in form other than object code or binary code form, including related programmer comments and annotations, help text, data and data structures, instructions and procedural, object-oriented and other code, which may be printed out or displayed in human readable form.

(qqqq) "Straddle Period" shall mean any taxable period beginning prior to and ending after the Closing Date.

(rrrr) "Subsidiary" shall mean, with respect to any party, any corporation or other organization, whether incorporated or unincorporated, of which (i) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party, corporation or organization or by any one or more of its Subsidiaries, or (ii) such party, corporation or organization or any other Subsidiary of such party, corporation or organization is a general partner (excluding any such partnership where such party, corporation or organization or any Subsidiary of such party does not have a majority of the voting interest in such partnership).

(ssss) "Tax Law" shall mean any Law (whether domestic or foreign) relating to Taxes.

(tttt) "Tax Return" shall mean any return, report or statement filed or required to be filed with respect to any Tax, including any information return, declaration of estimated tax, claim for refund, election, or voluntary disclosure agreement, and any schedule, addendum or attachment thereto, and any amendment thereof.

(uuuu) "Tax" or "Taxes" shall mean (i) all applicable U.S. federal, state and local and non-U.S. taxes, charges, fees, imposts, levies or other assessments, including all income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, escheat, capital stock, license, withholding, payroll, employment, social security, social insurance, unemployment, excise, severance, stamp, occupation, property and estimated taxes, customs duties, fees, assessments and charges of any kind whatsoever, together with any interest, penalties, fines, additions to Tax or additional amounts (whether disputed or not) imposed by any Taxing Authority, (ii) any liability for the payment of any amounts of the type described in clause (i) of this sentence as a result of being a member of an affiliated, consolidated, combined, unitary, aggregate or similar group for any Taxable period (including any arrangement for group or consortium relief or similar arrangement), and (iii) any liability for the payment of any amounts of the type described in clause (i) or (ii) of this sentence of any other Person as a result of any express or implied obligation, agreement or arrangement with respect to such amounts, as a transferee or successor or otherwise by operation of Law.

(vvvv) "Taxing Authority" shall mean the IRS, the Israel Taxing Authority or any other governmental body (whether state, local or non-U.S.) responsible for the administration of any Tax.

(wwww)"Total Consideration" shall mean an amount equal to the Base Consideration *plus* an amount in cash equal to the Adjusted Net Cash Amount.

(xxxx) "Trading Price" shall mean the volume-weighted sales price per share rounded to four decimal places of Parent Common Stock on the New York Stock Exchange (the "NYSE") for the consecutive period of ten (10) Business Days beginning at 9:30 a.m. New York time on the tenth (10th) Business Day immediately preceding the Closing Date and concluding at 4:00 p.m. New York time on the first (1st) Business Day immediately preceding the Closing Date, as calculated by Bloomberg Financial LP under the function "VWAP" for the Bloomberg security "PANW US Equity."

(yyyy) "Transaction Expenses" shall mean the sum of all fees and expenses (including any and all legal, accounting, consulting, investment banking, financial advisory, data room provider and brokerage fees and expenses) incurred or committed to at or prior to (whether payable at, prior to or after) the Closing Date by the Company, any of its Subsidiaries or any other Person (for which the Company or its Subsidiaries pay or reimburse others or ,may otherwise be obligated to pay or reimburse others or may be or may become liable) in connection with this Agreement, the Acquisition or any of the transactions contemplated hereby (including any VAT payable in connection therewith, except with respect to any expenses for which the Company obtains at least three (3) Business Days prior to the Closing, a tax ruling from the Israel Taxing Authority, to the reasonable satisfaction of Parent, that the payment of such expenses by the Company is not subject to VAT or is subject to zero VAT), specifically including the fees and expenses of the 102 Trustee for services in connection with this Agreement and the fees and expenses of the Paying Agent and the Escrow Agent pursuant to the terms of the Escrow Agreement and the Paying Agent Agreement.

(zzzz) "Transaction Payroll Taxes" shall mean any employment or payroll Taxes with respect to any bonuses, severance, option cashouts or other compensatory payments in connection with the transactions contemplated by this Agreement, whether payable by Buyer, the Company or its Subsidiaries.

(aaaaa) "Unvested Company Option" shall mean any Company Option (or portion thereof) that is unvested as of immediately prior to the Closing and does not vest in connection with or as a result of the Closing.

(bbbbb)"Unvested Company Shares" shall mean all Company Ordinary Shares that are subject to a right of repurchase by the Company or other similar risk of forfeiture to the Company (whether pursuant to a Share Restriction Agreement executed in connection with or at any time following the issuance of such Company Ordinary Shares or otherwise), as of immediately prior to the Closing, and is not released from such right of repurchase or other restriction in connection with or as a result of the Closing.

(ccccc)"Unvested Promised Option" shall mean any Promised Option (or portion thereof) that, if granted, would be unvested as of immediately prior to the Closing and does not vest in connection with or as a result of the Closing.

(ddddd)"Vested Company Option" shall mean any Company Option (or portion thereof) that is not an Unvested Company Option.

(eeeee) "Vested Company Optionholder" shall mean any Person holding Vested Company Options as of immediately prior to the Closing.

(fffff) "Vested Fully-Diluted Shares" shall mean a number equal to (i) the aggregate number of Company Ordinary Shares which are issued and outstanding as of immediately prior to the Closing, plus (ii) the maximum aggregate number of Company Ordinary Shares issuable upon full exercise of all Company Vested Options, plus (iii) the maximum aggregate number of Company Ordinary shares that would be issuable upon full exercise of all Vested Promised Options.

(ggggg)"Vested Promised Option" shall mean any Promised Option (or portion thereof) that is not an Unvested Promised Option.

(hhhhh)"Vested Promised Optionholder" shall mean any Person promised Vested Promised Options.

(iiiii) "Vested Promised Option Price" shall mean, with respect to each Vested Promised Optionholder, the amount set forth opposite the name of such Vested Promised Optionholder on Schedule 1.1(iiiii).

1.2 Other Capitalized Terms. For all purposes of and under this Agreement, all capitalized terms that are not defined in the preamble or recitals hereto, or in Section 1.1, shall have the respective meanings ascribed to such terms throughout this Agreement.

1.3 Certain Interpretations.

(a) When a reference is made in this Agreement to an Article or a Section, such reference shall be to an Article or a Section of this Agreement unless otherwise indicated. The words "hereof," "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) The words "include", "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation".

(c) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(d) The headings set forth in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(e) All references in this Agreement to a legal entity (including the Company) shall be deemed to refer to such entity and its Subsidiaries unless the context otherwise requires.

(f) All references in this Agreement to the Subsidiaries of a legal entity shall be deemed to include all direct and indirect Subsidiaries of such entity.

(g) Documents or other information and materials shall be deemed to have been "made available" by the Company if and only if the Company has posted such documents and information and other materials to a virtual data room managed by the Company at datasite.merrillcorp.com, and provided, and not limited, Parent access to such documents and information in the virtual data room at least two (2) Business Days prior to the execution and delivery of this Agreement by the parties hereto.

(h) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(i) A reference to any specific legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(j) References to "$" and "Dollars" are to U.S. dollars.

(k) No summary of this Agreement or any Annex, Exhibit or Section delivered herewith prepared by or on behalf of any party will affect the meaning or interpretation of this Agreement or any such Annex, Exhibit or Section.

(l) The parties hereto agree that they have been represented by legal counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any Law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document shall be construed against the party drafting such agreement or document.

ARTICLE 2

THE ACQUISITION

2.1 Purchase and Sale of Company Shares.

(a) Purchase and Sale. Subject to the terms and conditions hereof, at the Closing, each Company Shareholder shall sell, convey, assign, transfer and deliver to Buyer, and Buyer shall purchase from each Company Shareholder for the consideration set forth in Section 2.1(b), all legal and beneficial right, title and interest in and to all Company Shares free and clear of all Liens, and, as a result of such acquisitions, Buyer will own all of the issued and outstanding Company Shares and the Company will be a wholly-owned Subsidiary of Buyer (such transactions being referred to herein, collectively, as the "Acquisition").

(b) Payment of Base Consideration. Upon the terms and subject to the conditions set forth in this Agreement, Parent or Buyer shall cause the Paying Agent to (promptly following the Paying Agent's receipt thereof), deliver to each holder of a Company Share issued and outstanding as of immediately prior to the Closing, an amount equal to the following, in each case, *less* (as more fully set forth herein, but without duplication) (i) applicable Tax withholding, including any income or employment tax withholding required under the Code, the Israel Tax Ordinance or any provision of Tax Law, (ii) the amounts that Parent or Buyer are entitled to withhold to fund the Escrow Fund pursuant to Section 2.4(b), and (iii) the amounts that Parent or Buyer are entitled to withhold to fund the Representative Expense Fund pursuant to Section 2.4(c):

(i) With respect to each Preferred Share and each Company Ordinary Share, other than Company Ordinary Shares held by the Cash Out Shareholder and the Founders, issued and outstanding immediately prior to the Closing, the following:

(A) an amount of cash equal to Fifty Percent (50%) of the Per Share Consideration payable with respect to such share *less* such share's Pro Rata Share of the sum of (i) the principal amount of the Founder Note *plus* (ii) the Founder Retained Amount; and

(B) a number of shares of Parent Common Stock equal to quotient obtained by *dividing* (i) Fifty Percent (50%) of the Per Share Consideration payable with respect to such share *by* (ii) the Trading Price.

(ii) With respect to each Founder Ordinary Share issued and outstanding immediately prior to the Closing, and subject to the provisions of the Holdback Agreements, the following:

(A) an amount of cash equal to Thirty Five Percent (35%) of the Per Share Consideration payable with respect to such share *less* such share's Pro Rata Share of the sum of (i) the principal amount of the Founder Note *plus* (ii) the Founder Retained Amount;

(B) a number of shares of Parent Common Stock equal to quotient obtained by dividing (i) Thirty Five Percent (35%) of the Per Share Consideration payable with respect to such share *by* (ii) the Trading Price; and

(C) a number of shares of Parent Common Stock equal to quotient obtained by dividing (i) Thirty Percent (30%) of the Per Share Consideration payable with respect to such share *by* (ii) the Trading Price which shall be handled in accordance with the provisions of the Holdback Agreement (the "Founder Per Share Holdback Amount").

(iii) With respect to each Company Ordinary Share that is held by a Cash-Out Shareholder and that is issued and outstanding immediately prior to the Closing, an amount of cash equal to the Per Share Consideration *less* such Company Ordinary Share's Pro Rata Share of the sum of (i) the principal amount of the Founder Note *plus* (ii) the Founder Retained Amount payable with respect to such share.

(iv) With respect to each Vested Company Option, the amount set forth in Section 2.2(a);

(v) With respect to each Vested Promised Option, the amount set forth in Section 2.2(c).

(vi) No payment shall be made with respect to any Company Ordinary Shares held by the Company or dormant shares (*minayot radumot*) immediately prior to the Closing.

(c) Calculation; No Fractional Shares. For purposes of calculating the amount of cash payable to each Company Shareholder in respect of such shareholder's Company Shares pursuant to this Section 2.1(c), (i) all of the Company Shares held by each Company Shareholder shall be aggregated on a certificate-by-certificate basis and (ii) the amount of cash payable in respect of each such certificate shall be rounded to the nearest whole cent. No fraction of a share of Parent Common Stock will be issued by virtue of the Acquisition, but, in lieu thereof, each Company Shareholder that would otherwise be entitled to a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock that otherwise would be received by such holder) shall receive an amount of cash (rounded to the nearest whole cent), without interest, less the amount of any withholding Taxes as contemplated by Section 2.4(e) that are required to be withheld with respect thereto, equal to the product obtained by *multiplying* (i) such fraction by (ii) the Trading Price.

(d) Payment of Adjusted Net Cash Amount.

(i) in the event that the Adjusted Net Cash Amount is a *positive* amount, then, upon the terms and subject to the conditions set forth in this Agreement, Parent or Buyer shall cause the Paying Agent to (promptly following the Paying Agent's receipt thereof), deliver to each holder of a Company Share issued and outstanding as of immediately prior to the Closing and to each holder of Vested Company Options and Vested Promised Options, an amount equal to the Per Share Net Cash Adjustment Consideration in respect of such Company Share, Vested Company Option or Vested Promised Option, as the case may be, in each case, less applicable Tax withholding, including any income or employment tax withholding required under the Code, the Israel Tax Ordinance or any provision of Tax Law.

(ii) in the event that the Adjusted Net Cash Amount is a *negative* amount, resulting in the Total Consideration being lower than the Base Consideration, then the cash consideration payable to each holder of a Company Share issued and outstanding as of immediately prior to the Closing and to each holder of Vested Company Options and Vested Promised Options as set forth in Section 2.1(b)(i)(A), Section 2.1(b)(ii)(A), Section 2.1(b)(iii) , Section 2.1(b)(iv) and Section 2.1(b)(v) above shall be decreased, in respect of each such Company Share, Vested Company Option or Vested Promised Option by an amount equal to the value of the negative Per Share Net Cash Adjustment Consideration.

(e) Repayment of Founder Note. If, following the Closing Date, all or any portion of the Founder Note is repaid to the holder of such Founder Note on or prior to the maturity date thereof, Parent shall pay, promptly after such repayment is made, the amount of such Founder Note plus accrued interest so repaid (net of any Taxes paid or deemed paid by Parent, Buyer or the Company thereon or in respect thereof, calculated using the highest corporate Tax rate applicable in the jurisdiction of the holder of the Founder Note), to the Paying Agent for the benefit of the Contributing Securityholders. For purposes of calculating the amount of cash payable to each Contributing Securityholder pursuant to this Section 2.1(e), such amount of the Founder Note so repaid (net of any Taxes paid or deemed paid by Parent, Buyer or the Company thereon or in respect thereof, calculated using the highest corporate Tax rate applicable in the jurisdiction of the holder of the Founder Note) shall be distributed to each Contributing Securityholder in accordance with such Contributing Securityholder's Pro Rata Share. If any amount of the Founder Note remains unpaid on the maturity date, Parent shall cause the holder of such Founder Note to, assign and transfer the Founder Note to the Representative on behalf of the Contributing Securityholders.

(f) Payment of Founder Retained Amount. If, upon the maturity date of the Founder Note, any principal amount of the Founder Note remains unpaid, Parent shall pay an amount from the Founder Retained Amount equal to such unpaid principal amount of the Founder Note to Netanel Davidi or to another Person designated in writing by the Representative on behalf of the Contributing Securityholders to be held on behalf of all of the Contributing Securityholders as compensation, net of all applicable employer Taxes and employee withholding Taxes. To the extent the principal amount of the Founder Note has been repaid upon the maturity date of the Founder Note, Parent shall pay an amount from the Founder Retained Amount equal to such repaid principal amount of the Founder Note (without interest thereon) to the Paying Agent for the benefit of the Contributing Securityholders. For purposes of calculating the amount of cash payable to each Contributing Securityholder pursuant to the second sentence of this Section 2.1(f), such amount of the Founder Retained Amount shall be distributed to each Contributing Securityholder in accordance with each such Contributing Securityholder's Pro Rata Share. To the extent that the consideration payable or otherwise deliverable to any Person under Section 2.1(e) or this Section 2.1(f) is not reduced by such deductions or withholdings, such Person shall indemnify Parent and its affiliates (including the Company) for any Taxes imposed by any Taxing Authority.

2.2 Treatment of Company Options and Company 102 Shares.

(a) Vested Company Options.

(i) No outstanding Vested Company Options shall be assumed by Parent or Buyer. At the Closing, each then outstanding and unexercised Vested Company Option shall, by virtue of the Acquisition, be terminated and the holder thereof shall be entitled to receive from Buyer (acting through the Company or the Paying Agent) an amount of cash equal to the Per Option Consideration, *less* (w) such Vested Company Option's Pro Rata Share of the sum of (1) the principal amount of the Founder Note *plus* (2) the Founder Retained Amount, (x) applicable Tax withholding, including any income or employment tax withholding required under the Code, the Israel Tax Ordinance or any provision of Tax Law, (y) the amounts that Buyer is entitled to withhold to fund the Escrow Amount pursuant to Section 2.4(b), and (z) the amounts that Buyer is entitled to withhold to fund the Representative Expense Fund pursuant to Section 2.4(c). To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of such Vested Company Option.

(ii) Notwithstanding anything to the contrary set forth in this Section 2.2 or elsewhere in this Agreement, Parent shall deliver the Total Consideration payable in respect of any Company 102 Shares, Company 3(i) Options and Company 102 Options that are Vested Company Options to the 102 Trustee to be held and released in accordance with the agreement with the 102 Trustee, applicable Law (including the provisions of Section 102 of the Israel Tax Ordinance and the regulations and rules promulgated thereunder, including the completion of any required 102 Trust Period) and the Israeli 102 Tax Ruling (or any other approval from the Israel Tax Authority received either by the Company or Buyer). The 102 Trustee shall be required to withhold any amounts required in accordance with applicable Law (including the provisions of Section 102 of the Israel Tax Ordinance and the regulations and rules promulgated thereunder, including the completion of any required 102 Trust Period) and the Israeli 102 Tax Ruling (or any other approval from the Israel Tax Authority received either by the Company or Buyer).

(b) Unvested Company Options. No outstanding Unvested Company Option shall be assumed by Parent. The Company shall take all action necessary to cause each Unvested Company Option to be cancelled and extinguished without payment of any consideration as of immediately prior to the Closing.

(c) Vested Promised Options. At the Closing, the holder of each Vested Promised Option shall, by virtue of the Acquisition, be entitled to receive from Buyer (acting through the Company or the Paying Agent) an amount of cash equal to the Per Option Consideration, less (w) such Vested Promised Option's Pro Rata Share of the sum of (1) the principal amount of the Founder Note plus (2) the Founder Retained Amount, (x) applicable Tax withholding, including any income or employment tax withholding required under the Code, the Israel Tax Ordinance or any provision of Tax Law, (y) the amounts that Buyer is entitled to withhold to fund the Escrow Amount pursuant to Section 2.4(b), and (z) the amounts that Buyer is entitled to withhold to fund the Representative Expense Fund pursuant to Section 2.4(c). To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of such Vested Promised Option.

(d) Necessary Actions. Prior to the Closing, and subject to the prior review and approval of Parent, the Company shall take all actions necessary to effect the transactions anticipated by this Section 2.2 under the Company Stock Plans, all agreements evidencing Company Options and any other plan or arrangement of the Company (whether written or oral, formal or informal), including delivering all required notices and obtaining any required consents, such that at the Closing the Company shall not have any

outstanding equity interests other than Company Shares and Company Options outstanding as set forth in the Payment Spreadsheet.

2.3 Additional Parties.

(a) Execution of Agreement by Additional Parties. To the extent applicable, promptly after the date of execution of this Agreement and for as long as this Agreement is not duly terminated or otherwise expires, the Company shall make Reasonable Best Efforts to obtain from all Non-Executing Shareholders a counter signature on this Agreement under which each such Non-Executing Shareholder becomes bound by and subject to the provisions of this Agreement as an Executing Shareholder. The Company agrees to communicate promptly to Parent any update to the Company's efforts to obtain a counter signature on this Agreement from a Non-Executing Shareholder or any material communication with any Non-Executing Shareholder regarding the execution of this Agreement by such Non-Executing Shareholder. At any time on or before the Closing, the Company may amend Exhibit A, without the consent of the Executing Shareholders, to include as parties any Non-Executing Shareholders. Such Non-Executing Shareholders who executed a counterpart in accordance with the foregoing, shall be deemed to be "Selling Shareholders" for all purposes of this Agreement, and any Company Ordinary Shares or Preferred Shares owned by such shareholders shall be deemed to be "Company Shares."

(b) Bring-Along. By executing this Agreement, the Executing Shareholders, who collectively hold more than 90% (which exceeds the threshold of 75% required by Article 24 of the Articles of Association) of the issued and outstanding share capital of the Company, including holders of a majority of the Preferred Shares, have, and are deemed to have, accepted an offer by Buyer and/or Parent to purchase their Company Shares in accordance with the terms set forth in this Agreement and in accordance with Article 24 of the Articles of Association.

(i) This Agreement shall be deemed, for the purpose of Article 24 of the Articles of Association and Section 341 of the Israeli Companies Law 1999 (the "Companies Law") ("Section 341"), to constitute with respect to the Company (i) an offer by Buyer and/or Parent for the purchase of all issued and outstanding share capital of the Company which is conditioned upon the sale of all of the outstanding share capital of the Company and (ii) an acceptance of such offer by all Executing Shareholders.

(ii) No later than three (3) Business Days following the date hereof, the Company shall have, in accordance with the Articles of Association and Section 341, provided a written notice on behalf of Buyer, Parent and the Executing Shareholders (the "Bring-Along Notice") to each of the shareholders of the Company that is a Non-Executing Shareholder, setting forth the information required by the Articles of Association and offering such Non-Executing Shareholder to sell all Company Shares owned by it to Buyer pursuant to the terms and conditions of this Agreement and become an Executing Shareholder under this Agreement. Buyer and the Company shall fully coordinate any correspondence which concerns the Bring-Along Notice and any such correspondence including the Bring-Along Notice shall be subject to the prior written reasonable approval of Buyer. Buyer and the Company shall take such other actions appropriate in order to complete the transfer of all Company Shares in accordance with the Articles of Association and Section 341 of the Companies Law and pursuant to the terms and conditions of this Agreement, including the making of all filings and taking such other actions which are necessary or desirable to effectuate the Acquisition with respect to all of the Company Shares which are outstanding as of the Closing in compliance with the Articles of Association and the Companies Law. The Company shall register the transfer of all of the Company Shares held by all of its Non-Executing Shareholders in the Company's Register of Shareholders, to Buyer, and all share certificates held by Non-Executing Shareholders shall be deemed cancelled without any further action by any party pursuant to Article 24 of the Articles of Association,

and the portion of the Total Consideration, if any, payable under this Agreement with respect to the Company Shares sold hereunder by such Non-Executing Shareholders in accordance with the Payment Spreadsheet shall be deposited at the Closing with the Paying Agent, as trustee (the "Trust Consideration"), in accordance with Article 24 of the Articles of Association, and shall be allocated by the Company among the Non-Executing Shareholders in accordance with the Payment Spreadsheet, *provided*, *however* that each Non-Executing Shareholder shall be entitled to receive its respective portion of the Total Consideration, if any, and the Paying Agent shall release such portion of the Total Consideration to such Non-Executing Shareholders only upon and subject to such Non-Executing Shareholder's delivering all relevant documents under Section 3.2 and any other document executed by the Executing Shareholders, including without limitation a counterpart signature page to this Agreement. The Company shall use its best efforts in order to (i) obtain execution of a counterpart signature page to this Agreement for the satisfaction and completion of the necessary procedures under Section 341 of the Companies Law and Article 24 of the Articles of Association, and (ii) obtain the execution of a share transfer deed in the form attached hereto as Exhibit B by all the Non-Executing Shareholders.

(iii) For purposes of this Agreement, the term "Selling Shareholders" shall include all respective Non-Executing Shareholders and each such Non-Executing Shareholder shall be deemed to be subject to the terms and conditions of this Agreement.

2.4 Payment Procedures.

(a) Closing Payment Fund. At the Closing or within one Business Day thereafter (such applicable date, the "Funding Time"), Parent shall deposit, or cause to be deposited, with I.B.I. Trusts Ltd. (the "Paying Agent") (i) an amount in cash equal to the Aggregate Cash Consideration, *less* (but without duplication) (A) the Escrow Cash Amount and (B) the Representative Expense Amount, and (ii) the number of shares of Parent Common Stock equal to the Aggregate Stock Consideration, less (but without duplication) the Escrow Stock Amount (such deposited funds being referred to herein as the "Closing Payment Fund"). All cash funds held from time to time in the Closing Payment Fund shall be invested by the Paying Agent as directed by Buyer pending payment thereof by the Paying Agent to the Company Securityholders in accordance with the terms hereof; *provided*, *however*, that no gain or loss thereon or income or loss generated thereby shall affect the amounts payable by Parent and Buyer to Company Securityholders pursuant to this Article 2. Any net profit resulting from, or interest or income produced by, such investments, shall be placed in the Closing Payment Fund and any amounts in excess of the amounts payable to Company Securityholders shall be payable to Parent or Buyer. All interest and other earnings from any investment of funds held from time to time in the Closing Payment Fund shall be the sole and exclusive property of Buyer, and no part of such interest or other earnings shall accrue to or for the benefit of any Company Securityholders. Promptly following the Closing, each Company Securityholder shall be entitled to receive (i) from the Paying Agent, by delivery of a check or by such other payment mechanism approved by the applicable Company Securityholder in its reasonable discretion, the cash constituting the portion of the Closing Payment Fund to which such Company Securityholder is entitled at Closing pursuant to Section 2.1 and Section 2.2, less any applicable Tax withholding, and (ii) subject to Section 2.4(d), the number of shares constituting the portion of the Closing Payment Fund to which such Company Securityholder is entitled at Closing pursuant to Section 2.1, less any applicable Tax withholding. For the avoidance of doubt, Parent may deliver the Aggregate Stock Consideration in a book-entry or similar position through The Depository Trust & Clearing Corporation or any other depository or similar functionary, credited to an account for the benefit of the applicable Company Shareholder. Notwithstanding anything to the contrary set forth in this Section 2.4(a) or elsewhere in this Agreement, Parent or Buyer shall cause the Paying Agent or the Company, as the case may be, to deliver any consideration described in this Section 2.4(a) with respect to Company 102 Securities and Company 3(i) Options to the 102 Trustee to be held and released in accordance with the agreement with

the 102 Trustee, applicable Law (including the provisions of Section 102 of the Israel Tax Ordinance and the regulations and rules promulgated thereunder, including, where applicable, the completion of any required 102 Trust Period) and the Israeli 102 Tax Ruling (or any other approval from the Israel Tax Authority received either by the Company or Buyer, including the Interim Options Tax Ruling). The 102 Trustee shall be required to withhold any amounts required in accordance with the applicable Law (including, without limitation, the provisions of Section 102 of the Israel Tax Ordinance and the regulations and rules promulgated thereunder, including the completion of any required 102 Trust Period) and the Israeli 102 Tax Ruling (or any other approval from the Israel Tax Authority received by either the Company or Buyer, including the Interim Options Tax Ruling).

(b) Escrow Fund. Notwithstanding anything to the contrary set forth in this Agreement, Parent and Buyer shall be entitled to withhold (but without duplication) from the aggregate portion of the Total Consideration otherwise payable to Contributing Securityholders in the Acquisition pursuant to Section 2.1 and Section 2.2, such Contributing Securityholder's Pro Rata Share of the Escrow Amount, as follows: (i) in the case of each Company Shareholder other than the Founders, 50% in shares of Parent Common Stock (having a value based on the Trading Price) and payable 50% in cash, (ii) with respect to each Founder, entirely in shares of Parent Common Stock (having a value based on the Trading Price) subject to a Holdback Agreement with such Founder, and (iii) with respect to each Vested Company Optionholder and Vested Promised Optionholder, payable entirely in cash. The Escrow Amount is to be held by the Escrow Agent pursuant to this Agreement and the Escrow Agreement (other than the shares of Parent Common Stock subject to a Holdback Agreement described in clause (ii) above). At the Funding Time, Parent or Buyer shall deposit, or cause to be deposited, with the Escrow Agent (i) an amount in cash equal to the Escrow Cash Amount and (ii) an amount in Parent Common Stock equal to the Escrow Stock Amount. The Escrow Amount shall be held and distributed in accordance with the provisions of this Agreement and the Escrow Agreement, and in the case of the Founders, this Agreement, the Escrow Agreement and each such Founder's Holdback Agreement.

(c) Representative Expense Fund.

(i) Notwithstanding anything to the contrary set forth in this Agreement, Parent and Buyer shall be entitled to withhold (but without duplication) from the aggregate Total Consideration otherwise payable to the Contributing Securityholders in the Acquisition pursuant to Section 2.1 and Section 2.2 an amount of cash equal to the Representative Expense Amount. The Representative Expense Amount shall be withheld from each Contributing Securityholder based on such Contributing Securityholder's Pro Rata Share, and each Contributing Securityholder shall be deemed to have contributed to the Representative Expense Fund such holder's Pro Rata Share of the Representative Expense Amount, to be held by the Representative pursuant to this Agreement. As soon as practicable following the Closing, Parent or Buyer shall deposit, or cause to be deposited, with the Representative an amount in cash equal to the Representative Expense Amount (such funds being referred to herein as the "Representative Expense Fund"). The Representative shall hold the Representative Expense Fund as partial security for the reimbursement obligations of the Indemnifying Parties to the Representative under this Agreement in accordance with the terms and conditions set forth herein. The Representative Expense Fund (or any portion thereof) shall be distributed to the Representative or the Indemnifying Parties, as applicable, upon the terms and conditions set forth in this Agreement.

(d) esentative Expense FuStock Holdback. At the Closing, Parent shall issue the aggregate Founder Per Share Holdback Amount to which each Founder is entitled pursuant to Section 2.1(b)(ii)(C). Such shares shall be issued in the name of Holdback Trustee for the benefit of the Founder (which, for the avoidance of doubt, may be issued in a book-entry or similar position through The Depository Trust

& Clearing Corporation or any other depository or similar functionary, credited to an account for the benefit of such Founder) and shall be deposited with the Holdback Trustee who shall also serve as 104 Trustee to the extent 104H Ruling shall be obtained and delivered to the Parent in accordance with Section 8.5(d) below, and shall be subject to the terms and restrictions of such Founder's Holdback Agreement and the Escrow Agreement, including with respect to their release and/or forfeiture. The aggregate Founder Per Share Holdback Amount shall include the Founder Holdback Indemnity Portion, which shall constitute part of the Escrow Fund, as partial security against the indemnification obligations of the Founders under this Agreement. No fraction of a share of Parent Common Stock will be issued by virtue of the Acquisition, but, in lieu thereof, each Founder who would otherwise be entitled to a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock that otherwise would be received by such Founder pursuant to Section 2.1(b)(ii)(C)) shall receive an amount of cash (rounded to the nearest whole cent), without interest, less the amount of any withholding Taxes as contemplated by Section 2.4(f) which are required to be withheld with respect thereto, equal to the product obtained by *multiplying* (i) such fraction by (ii) the Trading Price.

(e) Shares of Parent Common Stock. In addition to any legends that may otherwise be required by the terms and conditions of the Shareholders Agreement, the certificates representing shares of Parent Common Stock issued by Parent to the Company Shareholders pursuant to Section 2.1 shall bear the following legend:

> THE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN EXEMPTION FROM SUCH REGISTRATION UNDER SAID ACT. THE ISSUER OF THESE SHARES MAY REQUIRE AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE OR OTHER TRANSFER OTHERWISE COMPLIES WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

(f) Withholding Rights.

(i) Parent, Buyer, the Paying Agent, the Escrow Agent and the 102 Trustee shall be entitled to deduct and withhold (but without duplication) from any consideration payable or otherwise deliverable pursuant to this Agreement to any Person such amounts Buyer, the Paying Agent, the Escrow Agent and the 102 Trustee, as the case may be, determines are required to be deducted or withheld therefrom under any provision of U.S. federal, state, local or non-U.S. Law in respect of Taxes, the Israeli Tax Ordinance, or under any other applicable Law, and to request and be provided any necessary and validly executed Tax forms, including valid Internal Revenue Service Form W-9 or the appropriate version of Form W-8, as applicable, and any similar information at the maximum rate for such withholding. The aforesaid includes an entitlement to withhold taxes from any consideration payable to any Person with respect to the share of such Person in the Escrow Amount; in the event that Buyer or the Paying Agent is required to withhold taxes with respect to the Escrow Amount from any consideration Buyer or the Paying Agent makes to any Contributing Securityholder (unless the Israel Tax Authority approves, to the reasonable satisfaction of Parent and/or Buyer that the payment by Buyer to the Escrow Agent will not be subject to Israeli withholding tax), then such withholding will instead be deducted from the consideration that is otherwise payable to the relevant Contributing Securityholder at Closing in order to ensure that the funds actually being transferred to the

Escrow Fund shall equal the Escrow Amount. Furthermore, in the event that Buyer or the Paying Agent is required to withhold taxes with respect to the Representative Expense Fund from any consideration Buyer or Paying Agent makes to any Contributing Securityholder, other than the Founders (unless the Israel Tax Authority approves, to the reasonable satisfaction of Parent and/or Buyer that the payment by Buyer to the Representative will not be subject to Israeli withholding tax), then such withholding will instead be deducted from the consideration that is paid to the relevant Contributing Securityholder at Closing, in order to ensure that the funds actually being transferred to the Representative Expense Fund shall equal the Representative Expense Amount. To the extent that such amounts are so deducted or withheld, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

(ii) Notwithstanding the provisions of Section 2.4(f)(i) above, with respect to Israeli Tax, the Total Consideration payable to each of the Company Securityholders hereunder (excluding amounts held in the Escrow Fund under Section 2.4(b)), shall be paid to and retained by the Paying Agent for the benefit of each such Company Securityholder for a period of 180 days from Closing or an earlier date required in writing by a Company Securityholder (the "Withholding Drop Date") (during which time neither Buyer nor the Paying Agent shall withhold any Israeli Tax on such consideration, except as provided below), and during which time each Company Securityholder may obtain a certification or ruling (the "Qualified Withholding Certificate") issued by the Israel Tax Authority, in form and substance reasonably acceptable to Buyer, (x) exempting Buyer from the duty to withhold Israeli Taxes with respect to such Company Securityholder, (y) determining the applicable rate of Israeli Tax to be withheld from such Company Securityholder or (z) providing any other instructions regarding the payment or withholding with respect to the applicable consideration of such Company Securityholder. In the event that no later than five (5) Business Days before the Withholding Drop Date, a Company Securityholder submits a Qualified Withholding Certificate, in form and substance reasonably acceptable to Buyer, the Paying Agent shall withhold and transfer to the Israel Tax Authority such amount in cash to be withheld from such Company Securityholder's cash portion of the Total Consideration due from such Company Securityholder as specified in such Qualified Withholding Certificate calculated based on the Total Consideration (cash and stock), and shall deliver to such Company Securityholder only the balance of the Total Consideration due to such Company Securityholder that is not so withheld. If any Company Securityholder (A) does not provide the Paying Agent with a Qualified Withholding Certificate, in form and substance reasonably acceptable to Buyer, no later than five (5) Business Days before the Withholding Drop Date, or (B) submits a written request with the Paying Agent to release his/her/its portion of the Aggregate Consideration prior to the Withholding Drop Date and fails to submit a Qualified Withholding Certificate at or before such time, in form and substance reasonably acceptable to Buyer, then the amount in cash to be withheld from such Company Securityholder's cash portion of the Total Consideration shall be calculated based on the Total Consideration (cash and stock) according to the applicable withholding rate as reasonably determined by the Buyer, which amount shall be delivered to the Israel Tax Authority by the Paying Agent, and shall deliver to such Company Securityholder the balance of the Total Consideration due to such Company Securityholder that is not so withheld. In the event that Buyer, Parent or the Paying Agent receives a demand from the Israel Tax Authority to withhold any amount out of the Total Consideration payable to any of the Company Securityholders and transfer it to the Israel Tax Authority prior to the Withholding Drop Date, Buyer, Parent or the Paying Agent (1) shall notify such Company Securityholder of such matter promptly after receipt of such demand, and provide such Company Securityholder within reasonable time (but in no event less than twenty-one (21) days, unless otherwise explicitly required by the Israel Tax Authority or under any applicable Law) to attempt to delay such requirement or extend the period for complying with such requirement as evidenced by a written certificate, ruling or confirmation from the Israel Tax Authority, and (2) to the extent that any such certificate, ruling or confirmation is not timely provided by such Company Securityholder to Buyer, to Parent, or the

Paying Agent, transfer to the Israel Tax Authority any amount so demanded, and such amounts shall be treated for all purposes of this Agreement as having been delivered and paid to such Company Securityholder.

(iii) Notwithstanding Section 2.4(f)(i) above, any payments made to holders of Company Options or Company Shares issued upon the exercise of Company Options will be subject to deduction or withholding of Israeli Tax under the Israeli Tax Ordinance, unless: (A) with respect to Israeli tax resident holders of Company Options and/or Company 102 Securities, the 102 Tax Ruling (or the Interim Options Ruling) shall have been obtained before the tenth (10th) day of the calendar month following the month during which the Closing occurs; (B) with respect to non-Israeli tax resident holders of Company Options or Company Shares issued upon the exercise of Company Options, which holders were granted such awards in consideration for work or services performed outside of Israel, such holders will provide Buyer, at least five (5) Business Days prior to any payment to them, with a validly executed declaration, in a form reasonably satisfactory to Buyer, regarding their non-Israeli tax residence and confirmation that they were granted such awards in consideration for work or services performed solely outside of Israel), such payments shall not be subject to any withholding or deduction of Israeli Tax and shall be made through the payroll processing service or system; or (C) with respect to non-Israeli tax resident holders of Company Ordinary Shares issued upon the exercise of Company Options, which holders were granted such awards in consideration for work or services performed outside of Israel, such holders will provide Buyer, at least five (5) Business Days prior to any payment thereof, with a valid approval or ruling issued by the applicable Governmental Authority regarding the withholding (or exemption from withholding) of Israeli Tax from the aggregate consideration payable to such holder, in a form satisfactory to Buyer in its sole discretion, then, such payments shall not be subject to any withholding, unless determined otherwise by the Israel Tax Authority in the 102 Tax Ruling or the Interim Options Ruling or deduction of Israeli Tax and shall be made in accordance with the provisions of such approval or ruling.

ARTICLE 3

THE CLOSING

3.1 The Closing. Unless this Agreement is earlier terminated pursuant to Section 9.1, Parent, Buyer and the Company Securityholders shall consummate the Acquisition at a closing (the "Closing") to occur on a Business Day as soon as practicable, but in no event any sooner than three (3) Business Days or later than five (5) Business Days, following the satisfaction or waiver (if permitted hereunder) of all of the conditions set forth in Section 3.3 other than those conditions that by their nature are to be satisfied at the Closing (but subject to the fulfillment or waiver of those conditions (if permitted hereunder) at the Closing) at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California, unless another date and/or place is mutually agreed upon in writing by Parent and the Company. The date upon which the Closing actually occurs hereunder is referred to herein as the "Closing Date."

3.2 Closing Deliveries. At, or prior to, the Closing, (a) each Company Shareholder shall deliver to Parent the original certificates or a declaration of lost share certificate in the form attached hereto as Exhibit C representing such Company Shareholder's Company Shares, together with duly executed original share transfer deeds in the form attached hereto as Exhibit B, such that the Paying Agent shall have received in the aggregate certificates representing all outstanding Company Shares owned by all Company Shareholders, (b) the Company shall have delivered to Parent a copy of the share register of the Company evidencing the transfer and ownership of all of the Company Shares to Buyer as of the Closing Date, such share register to be certified by the Chief Executive Officer of the Company on behalf of the Company and validly executed share certificates reflecting the Company Shares purchased by Buyer pursuant to this

Agreement, issued in the name of Buyer, and (c) subject to and in conjunction with the delivery of the foregoing share certificates and share register, Parent shall or shall cause Buyer to make the payments contemplated by Sections 2.1, 2.2 and 2.4.

3.3 Closing Conditions.

(a) Conditions to Obligations of All Parties. The respective obligations of Parent, Buyer and the Company Securityholders to consummate the transactions contemplated hereby shall be subject to the satisfaction, at or prior to the Closing, of the following conditions:

(i) Parent, Buyer and the Company shall have obtained all consents and approvals from all Governmental Authorities and submitted all requisite filings and made all requisite notifications with all Governmental Authorities, in each case that Parent reasonably determines to be necessary or appropriate in order to consummate the Acquisition and the other transactions contemplated by this Agreement.

(ii) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law that is in effect and that has the effect of making the Acquisition or any other transaction contemplated by this Agreement or any Related Agreement illegal or otherwise prohibits or otherwise restrains the consummation of the Acquisition or any other transaction contemplated by this Agreement or any Related Agreement.

(iii) No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other similar legal restraint shall be in effect that has the effect of making the Acquisition or any other transaction contemplated by this Agreement illegal or otherwise prohibits or otherwise restrains the consummation of the Acquisition or any other transaction contemplated by this Agreement.

(iv) The Paying Agent Interim Ruling shall have been issued by the Israel Tax Authority and shall be in full force and effect.

(b) Additional Conditions to Obligations of Parent and Buyer. The obligations of Parent and Buyer to consummate the transactions contemplated hereby shall be subject to the satisfaction at or prior to the Closing of each of the following conditions, any of which may be waived, in writing, exclusively by Parent:

(i) Representations and Warranties.

(A) Each of the representations and warranties of the Company set forth in this Agreement and the Related Agreements (x) shall have been true and correct as of the date of this Agreement (other than any such representations and warranties that address matters only as of a specified date, which shall be true and correct as of such date), and (y) shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if made on and as of the Closing Date (other than any such representations and warranties that address matters only as of a specified date, which shall be true and correct as of such date); *provided*, *however*, that in any event of a breach of a representation or warranty, the condition set forth in this Section 3.3(b)(i)(A) shall be deemed satisfied unless the effect of all such breaches of representations and warranties taken together shall result in a Company Material Adverse Effect.

(B) Each of the representations and warranties of each Company Shareholder set forth in this Agreement, the Related Agreements and in any certificates or other instruments delivered by such Company Shareholders hereunder or thereunder (x) shall have been true and correct as of the date of this Agreement, and (y) shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if made on and as of the Closing Date (other than any such representations and warranties that address matters only as of a specified date, which shall be true and correct as of such date).

(ii) Covenants. Each of the Company and the Company Shareholders shall have performed and complied in all material respects with each of the covenants and obligations under this Agreement required to be performed and complied with by the Company or the Company Shareholders prior to or as of the Closing.

(iii) No Company Material Adverse Effect. Since the date of this Agreement, there shall not have occurred a Company Material Adverse Effect.

(iv) No Legal Proceedings or Claims. There shall be no legal action, suit, claim or proceeding of any kind or nature pending before any Governmental Authority (whether brought by a Governmental Authority or any other Person) or threatened by any Governmental Authority or any other Person against Parent, Buyer, the Company, the Company Shareholders or any of their respective properties or any of their respective directors or officers (in their capacities as such) that (A) arises out of and is concerning this Agreement, the Related Agreements, the Acquisition or any other transaction contemplated hereby, (B) seeks to prohibit the consummation of the Acquisition or any other transaction contemplated hereby, (C) seeks to impose limitations on the ability of Parent or Buyer to consummate the Acquisition and the other transactions contemplated by this Agreement or any Related Agreement, (D) seeks to prohibit or impose any limitations on the ownership or operation by Parent or Buyer of all or any portion of businesses or assets of Parent, Buyer, the Company or any of their respective affiliates, or to compel Parent, Buyer or the Company to dispose of or hold separate any portion of the businesses or assets of Parent, Buyer, the Company or any of their respective affiliates, (E) seeks to impose limitations on the ability of Parent or Buyer effectively to exercise full rights of ownership of all Company Shares or the Company, or (F) otherwise would be reasonably expected to have a Company Material Adverse Effect.

(v) No Regulatory Conditions. No Governmental Authority shall have enacted, issued, promulgated, enforced, entered or deemed applicable to the Acquisition any Law, statute, rule, regulation, executive order or decree (whether temporary, preliminary or permanent) which is in effect and which has the effect of (A) prohibiting Parent or Buyer's ownership or operation of any portion of the business of the Company or any of its Subsidiaries, or (B) compelling Buyer, Parent or the Company to dispose of or hold separate all or any portion of the business or assets of Parent, Buyer, the Company or any of their respective Subsidiaries, in either case in connection with the Acquisition or any other transaction contemplated by this Agreement.

(vi) Vested Company Options. Each Vested Company Option shall be terminated or cancelled by the Company, subject to the right of the holder(s) of Vested Company Options to receive payment for such Vested Company Options in accordance with Section 2.2(a).

(vii) Termination of Non-Continuing Employees. Each of the Non-Continuing Employees shall have received a notice of termination.

(viii) Founders' Repurchase Agreements. Parent and Buyer shall have received evidence of termination of each of the Founders' Repurchase Agreements, each dated September 24, 2012.

(ix) Employment Agreements; Employee Retention.

(A) Key Employees. As of the Closing Date, all of the Key Employee Employment Agreements entered into concurrently in connection with delivery of this Agreement shall be in full force and effect, and no Key Employee shall have terminated, rescinded or repudiated his or her Key Employee Employment Agreement or notified Parent, Buyer or the Company of such person's intention of leaving the employ of Parent, Buyer or its Subsidiaries following the Closing.

(B) Other Employees. At least eighty percent (80%) (the "Required Employee Percentage") of the Company Employees (disregarding the Key Employees) that have received offers of employment from Parent or any of its Subsidiaries and who are, as of the date hereof, Employees of the Company (and not any of its Subsidiaries), pursuant to the terms of Section 8.19 shall, as of the Closing, have executed a Continuing Employee Employment Agreement; *provided, however*, that in the event that all other conditions set forth in Section 3.3(b) have been satisfied, the Required Employee Percentage shall be sixty percent (60%).

(x) Non-Competition Agreements. The Non-Competition Agreements executed and delivered on the date of this Agreement by each Founder shall be in full force and effect as of the Closing, and no breaches, disputes or informal or formal repudiations by any Founder of his or her Non-Competition Agreement shall have occurred or be imminent or threatened.

(xi) Resignation and Release Letters of Officers and Directors. Parent and Buyer shall have received a Director and Officer Resignation and Release Letter, in substantially the form attached hereto as Exhibit H-1 (in the case of U.S. directors and officers) or Exhibit H-2 (in the case of Israeli directors and officers) (as applicable, a "Director and Officer Resignation and Release Letter"), effective as of and conditional upon the Closing, of each officer and director of the Company and its Subsidiaries.

(xii) Holdback Agreements. Each of the Holdback Agreements with the Founders that were executed and delivered on the date of this Agreement shall be in full force and effect as of the Closing, and shall not have been terminated.

(xiii) Legal Opinion. Parent shall have received a legal opinion of Meitar Liquornik Geva Leshem Tal, Law Offices, counsel to the Company, in substantially the form attached hereto as Exhibit G.

(xiv) Payment Spreadsheet. Parent and Buyer shall have received the Payment Spreadsheet.

(xv) Adjusted Net Cash Amount Certificate. Not less than one (1) Business Day prior to the Closing Date, Parent and Buyer shall have received from the Company the final Adjusted Net Cash Amount Certificate pursuant to Section 8.16.

(xvi) Current Accounts Receivable Certificate. Not less than one (1) Business Day prior to the Closing Date, Parent and Buyer shall have received from the Company the final Current Accounts Receivable Certificate pursuant to Section 8.17.

(xvii) Statement of Transaction Expenses. Parent and Buyer shall have received the Statement of Transaction Expenses.

(xviii) Additional Written Agreements. The Company and each of the counterparties thereto shall have executed and delivered those agreement listed on Schedule 8.8 hereto, each of which shall not have been repudiated and shall be in full force and effect at the Closing.

(xix) Modification of Agreements. The Company shall have (i) modified those agreements listed on Schedule 8.4 hereto in the manner set forth on Schedule 8.4 hereto effective as of and contingent upon the Closing so that the required modifications are in effect upon and after the Closing, and (ii) delivered to Parent and Buyer documentation reasonably satisfactory to Parent and Buyer evidencing the Company's full compliance with Section 8.4.

(xx) Termination of Agreements. The Company shall have (i) terminated each of those agreements listed on Schedule 8.5(b) hereto effective as of and contingent upon the Closing and, from and after the Closing, each such agreement shall be of no further force or effect, and (ii) delivered to Parent and Buyer documentation reasonably satisfactory to Parent and Buyer evidencing the Company's full compliance with Section 8.5(a) and Section 8.5(b).

(xxi) Consents. The Company shall have received the Consents pursuant to Section 8.6, each of which shall not have been repudiated and shall be in full force and effect at the Closing;

(xxii) Notices for Agreements. The Company shall have sent the notices set forth on Schedule 8.7 hereto.

(xxiii) Financial Statements. Parent and Buyer shall have received the following:

(A) audited consolidated balance sheet and consolidated statements of income, changes in shareholders' equity and cash flow as of December 31, 2012, and for the twelve-month period ended December 31, 2012, which have been prepared in accordance with GAAP applied on a consistent basis;

(B) audited consolidated balance sheet and consolidated statements of income, changes in shareholders' equity and cash flow as of December 31, 2013, and for the twelve-month period ended December 31, 2013, which have been prepared in accordance with GAAP applied on a consistent basis;

(C) unaudited consolidated statements of income for the twelve-month period ended June 30, 2013, which have been prepared in accordance with GAAP (except that such unaudited financial statements do not contain footnotes) applied on a consistent basis with the audited financial statements;

(D) unaudited consolidated balance sheet and unaudited consolidated statements of income as of and for the six-month period ended December 31, 2013, which have been prepared in accordance with GAAP (except that such unaudited financial statements do not contain footnotes) applied on a consistent basis with the audited financial statements;

(E) unaudited taxable entity's respective local currency and U.S. dollar, balance sheet and statements of income, trial balance for the twelve-month period ended December 31, 2013 which have been prepared in accordance with GAAP (except that such unaudited financial statement do not contain footnotes) applied on a consistent basis with the audited financial statements;

(F) unaudited consolidated balance sheet of the Company as of a date that is between three (3) to five (5) Business Days prior to the Closing Date and consolidated statements of income and changes in shareholders' equity as of and for a date that is between three (3) to five (5) Business Days prior to the Closing Date, prepared in accordance with GAAP (except that such unaudited financial statements do not contain footnotes) applied on a consistent basis with the audited financial statements; and

(G) unaudited taxable entity's respective local currency and U.S. dollar, balance sheet and statements of income, trial balance for the period from January 1, 2014 to a date that is between three (3) to five (5) Business Days prior to the Closing Date, prepared in accordance with GAAP (except that such unaudited financial statement do not contain footnotes) applied on a consistent basis with the audited financial statements.

(xxiv) Closing Certificates. Parent shall have received the following:

(A) a certificate of the Chief Executive Officer of the Company, dated as of the Closing Date and in the form of Exhibit E-1 attached hereto, certifying as to the matters set forth in Sections 3.3(b)(i) – (iv) (other than Section 3.3(b)(i)(B));

(B) a certificate from each Company Shareholder dated as of the Closing Date and in the form of Exhibit E-2 attached hereto certifying as to the matters set forth in Section 3.3(b)(i)(B) and Section 3.3(b)(ii) in respect of such Company Shareholder;

(C) a certificate of the Chief Executive Officer of the Company, dated as of the Closing Date and in form of Exhibit F attached hereto, certifying (1) the Company Organizational Documents, (2) the resolutions adopted by the Board of Directors of the Company authorizing this Agreement, the Acquisition and the other transactions contemplated hereby, and (3) the incumbency and signatures of the officers of the Company executing this Agreement and the other agreements, instruments and other documents executed by or on behalf of the Company pursuant to this Agreement or otherwise in connection with the transactions contemplated hereby, copies of which actions shall be attached to such certificate;

(D) a certificate from the Registrar of Companies of the State of Israel (the "Companies Registrar") and each other state or other U.S. or non-U.S. jurisdiction in which the Company and any Subsidiary thereof is qualified to do business as a foreign corporation (or the closest equivalent thereof in the event that any jurisdiction does not provide such certificates), each such certificate dated within three (3) Business Days prior to the Closing Date, certifying that the Company or its Subsidiary (as applicable) is duly qualified to transact business and/or is in good standing (as applicable in each such jurisdiction) and that all applicable state franchise taxes or fees of the Company through and including the date of the certificate have been paid; and

(E) a certificate of the Chief Executive Officer of the Company, in dated within two (2) Business Days prior to the Closing Date in the form of Exhibit D attached hereto, (i) attaching the Payment Spreadsheet and certifying the same as true, correct and complete and (ii) attaching the Statement of Transaction Expenses and certifying the same as true, correct and complete.

(xxv) Founder Note. The Founder Note shall have been issued by Netanel Davidi in favor of the Company.

(c) Encryption Permit. The Company shall obtain prior to the Closing any required export permit from the Israeli Ministry of Defense, which will allow the Company to export the knowledge

and the technology underlying the Company's encryption means to Parent and Buyer, including pursuant to the Acquisition, in a form acceptable to Parent and Buyer, all as required under the applicable permits the Company received from the Israeli Ministry of Defense and under any Israeli laws and regulations.

(d) Additional Conditions to Obligations of the Company and the Company Shareholders. The obligations of the Company and the Company Shareholders to consummate the transactions contemplated hereby shall be subject to the satisfaction at or prior to the Closing of each of the following conditions, any of which may be waived, in writing, exclusively by the Company:

(i) Representations and Warranties. Each of the representations and warranties of Parent and Buyer set forth in this Agreement (A) shall have been true and correct as of the date of this Agreement (other than any such representations and warranties that address matters only as of a specified date, which shall be true and correct as of such date) and (B) shall be true and correct in all material respects on and as of the Closing Date with the same force and effect as if made on and as of the Closing Date (other than any such representations and warranties that address matters as of a specified date, which shall be true and correct as of such date) *provided*, *however*, that in any event of a breach of a representation or warranty, the condition set forth in this Section 3.3(d)(i) shall be deemed satisfied unless the effect of all such breaches of representations and warranties taken together result in a Parent Material Adverse Effect.

(ii) Covenants. Parent and Buyer shall have performed and complied in all material respects with each of the covenants and obligations under this Agreement required to be performed and complied with by Buyer prior to or as of the Closing.

(iii) Escrow Agreement and Paying Agent Agreement. Buyer, Parent, the Escrow Agent and the Paying Agent, as applicable, shall have executed and delivered the Escrow Agreement and Paying Agent Agreement.

(iv) Shareholders Agreement. Parent shall have executed and delivered the Shareholders Agreement.

(v) No Parent Material Adverse Effect. Since the date of this Agreement, there shall not have occurred a Parent Material Adverse Effect.

(vi) Founder Note. The Founder Note shall have been issued by Netanel Davidi in favor of the Company.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Subject to any exceptions that are expressly set forth in the disclosure schedule delivered by the Company to Parent and Buyer concurrently with the execution and delivery of this Agreement, dated as of the date hereof (the "Disclosure Schedule") (it being understood and hereby agreed that (i) the information set forth in the Disclosure Schedule shall be disclosed under separate section and subsection references that correspond to the sections and subsections of this Article 4 to which such information relates, and (ii) the information set forth in each section and subsection of the Disclosure Schedule shall qualify (A) the representations and warranties set forth in the corresponding section or subsections of this Article 4, and (B) any other representations and warranties set forth in this Article 4 if and solely to the extent that it is readily apparent on the face of such disclosure (without reference to the documents referenced therein) that it applies to such other representations and warranties), the Company hereby represents and warrants to

Parent and Buyer as of the date hereof and as of the Closing Date as if such representations and warranties were made at and as of the Closing Date (except for such representations and warranties that are made only as of a specific date, which shall be made only as of such date), as follows:

4.1 Organization and Good Standing.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Israel and has full corporate power and authority to conduct its business as currently conducted and as proposed to be conducted by it. The Company is duly qualified to do business as a foreign corporation and is in good standing in every jurisdiction where the properties, owned, leased or operated, or the business conducted by it, requires such qualification, except for such failures to be so duly qualified and in good standing that would not have a Company Material Adverse Effect.

(b) Prior to the date of this Agreement, the Company has made available to Parent complete and accurate copies of the Company's certificate of incorporation and Articles of Association of, each as amended and currently in effect (collectively, the "Company Organizational Documents"). The Company Organizational Documents are in full force and effect and the Company is not in violation of (and has not previously violated) any provision of its Company Organizational Documents. The operations now being conducted by the Company are not (and have never been) conducted under any other name.

(c) Section 4.1(c) of the Disclosure Schedule contains a complete and accurate list of the directors and officers of the Company and each Subsidiary as of the date hereof.

4.2 Authority and Enforceability.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and the Related Agreement to which it is a party, the Escrow Agreement and each certificate and other instrument required hereby to be executed and delivered by the Company pursuant hereto and to perform its obligations hereunder and thereunder and to consummate the Acquisition and the other transactions contemplated hereby and thereby. The execution, delivery and performance by the Company of this Agreement, the Escrow Agreement and each certificate and other instrument required to be executed and delivered by the Company pursuant hereto and the consummation by the Company of the Acquisition and the other transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of the Company. The Board of Directors of the Company has unanimously approved this Agreement, the Escrow Agreement, the Acquisition and the other transactions contemplated hereby and thereby, and no other corporate proceedings on the part of the Company or the Company Shareholders are necessary to authorize this Agreement, the Escrow Agreement or any certificate or other instrument required to be executed and delivered by the Company pursuant hereto or to consummate the Acquisition or any other transactions contemplated hereby or thereby. None of such actions by the Board of Directors of the Company have been amended, rescinded or modified. This Agreement, the Escrow Agreement and each certificate and other instrument required to be executed and delivered by the Company pursuant hereto has been (or will be) duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent, Buyer and the Representative, constitutes (or will constitute) a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, reorganization or similar laws of general application affecting the rights and remedies of creditors, and to general equity principles.

(b) The Company has received (and delivered to Buyer) correct and complete copies of the Shareholder Consent approving the Company's adoption of this Agreement upon the terms and subject to the conditions set forth in this Agreement. The Shareholder Consent was delivered by the holders of at

least a majority of the outstanding Company Shares voting as a single class and on an as-converted to Company Ordinary Shares basis. The Shareholder Consent is the only approval of the Company Shareholders (in their capacity as such) necessary for the Company to adopt this Agreement, and no further vote or approval on the part of any Company Shareholders (in their capacity as such) will be required for the Company to approve or adopt this Agreement, the Escrow Agreement and each certificate and other instrument required hereby to be executed and delivered by the Company.

4.3 Governmental Filings and Consents.

(a) No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority is required on the part of the Company, any of its Subsidiaries or any Company Shareholder in connection with the execution and delivery of this Agreement or the Escrow Agreement or the consummation of the Acquisition or any other transactions contemplated hereby or thereby, except for (i) consents or filings Parent or Buyer is required to make, (ii) consents or filings that have been previously obtained or made, (iii) any filings with the Israeli Companies Registrar, which will be made following the Closing, and (iv) such other consents, authorizations, filings, approvals, notices and registrations which, if not obtained or made, would not be material to the Company and would not prevent, materially alter or materially delay the consummation of the Acquisition or any of the other transactions contemplated by this Agreement.

(b) No “business combination,” “fair price,” “moratorium,” “control share acquisition” or other similar anti-takeover statute or regulation or anti-takeover provision in the Company Organizational Documents is applicable to the Company, any Company Shares or other Company Securities, this Agreement, the Acquisition or any of the other transactions contemplated by this Agreement.

4.4 No Conflicts. The execution and delivery of this Agreement, the Escrow Agreement and each certificate and other instrument required to be executed and delivered by the Company pursuant hereto, the compliance with the provisions of this Agreement, the Escrow Agreement and each certificate or other instrument required to be executed and delivered by the Company pursuant hereto, and the consummation of the Acquisition and the other transactions contemplated hereby and thereby will not (a) conflict with or violate the Company Organizational Documents, (b) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice, consent or waiver under, or result in the loss of any benefit to which the Company is entitled under, any Contract, Permit, Lien or other interest to which the Company is a party or by which the Company is bound or to which its assets are subject, (c) result in the creation or imposition of any Lien upon any assets of the Company or the Company shares, or (d) violate any Law applicable to the Company or any Company Shareholder or any of their respective properties or assets.

4.5 Capitalization.

(a) The authorized capital stock of the Company is NIS 1,193,592 and, as of the date hereof, consists of an aggregate of 11,935,920 Company Shares par value NIS 0.1 each, consisting of (i) an aggregate of 8,789,446 Company Ordinary Shares, of which 2,689,225 are issued and outstanding, and 954,500 are held by the Company and considered dormant shares (*minayot radumot*) (as this term is defined under the Companies Law) and no other shares were held in treasury by the Company or by Subsidiaries of the Company; (ii) an aggregate of 1,100,200 Series A Preferred Shares all of which are issued and outstanding, and (iii) an aggregate of 2,046,276 Series B Preferred Shares all of which are issued and outstanding. As of the date hereof, the Company has reserved an aggregate of 654,920 Company Ordinary Shares for issuance

under the Company Stock Plans, and an aggregate of 460,201 Company Ordinary Shares are issuable upon the exercise of Company Options outstanding as of the date hereof.

(b) All of the issued and outstanding Company Shares and other Company Securities have been offered, issued and sold by the Company in compliance with all Israeli, U.S. federal and applicable U.S. state securities Laws. There are no Company Securities, and no subscription, warrant, option, convertible security or other right (contingent or otherwise) to purchase or acquire any Company Shares or Company Securities is authorized or outstanding. The Company does not have any obligation (whether written, oral, contingent or otherwise) to issue any Company Securities or any subscription, warrant, option, convertible security or other right or to issue or distribute to holders of any Company Securities any evidences of indebtedness or assets of the Company. The Company does not have any obligation (whether written, oral, contingent or otherwise) to purchase, redeem or otherwise acquire any Company Shares or Company Securities or any interest therein or to pay any dividend or make any other distribution in respect thereof. There are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to the Company. There are no agreements, written or oral, between the Company and any holder of its securities or others, or among any holders of its securities, relating to the acquisition (including rights of first refusal, anti-dilution or pre-emptive rights), disposition, registration under the Securities Act of 1933, as amended (the "Securities Act"), or voting of the Company Shares. There are no irrevocable proxies and no voting agreements with respect to the Company Shares or any other equity or voting interest in the Company.

(c) All of the issued and outstanding Company Shares (i) have been duly authorized and validly issued and are fully paid and nonassessable and not subject to, or issued in violation of, any preemptive or similar rights, call right, rights of first refusal or similar rights other than as set forth in the Company Organizational Documents and (ii) are held of record and, to the Company's Knowledge, beneficially, by the Company Shareholders set forth on Exhibit A. After the Closing, Buyer will own legally, beneficially and of record all of the issued and outstanding Company Shares. Exhibit A contains a complete and accurate list of all of the Company Shareholders, setting forth the Company Shares held by each Company Shareholder.

(d) Section 4.5(d) of the Disclosure Schedule contains a complete and accurate list of all persons who, at the close of business on the date of this Agreement, hold Company Options, indicating, with respect to each Company Option, the number of Company Ordinary Shares issuable upon the exercise of such Company Option, the date on which a Company Option granted pursuant to Section 102(b)(2) of the Israel Tax Ordinance was deposited with the 102 Trustee, and the exercise price, date of grant, vesting schedule and expiration date thereof, including the extent to which any vesting had occurred as of the date of this Agreement and the extent to which the vesting of such Company Option will be accelerated by the consummation of the Acquisition and the other transactions contemplated by this Agreement or by the termination of employment or engagement or change in position of any holder thereof following or in connection with the consummation of the Acquisition or by termination of employment or engagement or change in position of any holder thereof following or in connection with the consummation of the Acquisition and a description whether granted as an Incentive Stock Option or a Non-Qualified Incentive Stock Option, or under Section 102 or Section 3(i) of the Israel Tax Ordinance and with respect to Company Options granted under Section 102 whether it was decided to treat such option under the capital gain route or ordinary income route. All Company Options issued to individuals in the United States have been granted or issued at an exercise price equal to the fair market value of the underlying Company Ordinary Shares, as determined by the Board of Directors of the Company at the date of grant or issuance, and none of the Company Options constitute "deferred compensation" under Section 409A of the Code. Complete and accurate copies of each Company Option Plan and all agreements and instruments relating to or issued under each such plan (including executed copies of all Contracts relating to each Company Option and the Company Ordinary Shares

purchased under such plan) have been made available to Parent, and such plans and Contracts have not been amended, modified or supplemented since being made available to Parent, and there are no Contracts or understandings to amend, modify or supplement such plans or Contracts in any case from those made available to Parent. All Company Options granted pursuant to Section 102 of the Israel Tax Ordinance comply in full with the requirements of Section 102 and the rules and regulations promulgated and qualify for treatment under the capital gain route thereunder, and were duly and timely deposited in accordance with the provisions of Section 102 of the Israel Tax Ordinance with the 102 Trustee and no Action has been threatened against the Company (nor is the Company aware of a reasonable basis for an Action against the Company) with respect to the failure of the Company to comply with such requirements.

(e) Each Preferred Share is convertible into one (1) Company Ordinary Share. The consideration for which each Company Share and each Company Security will be exchanged pursuant to this Agreement, the allocation of the Total Consideration pursuant to the Payment Spreadsheet and the reduction of the amounts payable to the Company Securityholders at Closing by the Escrow Fund and the Representative Expense Fund, in each case, conforms to the terms of the Company Organizational Documents, and no Company Shareholder, holder of Company Securities or other Person shall be entitled to receive any different or additional amount in connection with the Acquisition in order for all Company Shares and Company Securities to be transferred to Buyer pursuant to this Agreement other than as provided herein. No dividends have ever been declared or paid on the Company Shares. The Original Issue Price for each Company Share is as set forth in the Articles of Association and has not been adjusted. The Company has never redeemed any Company Shares and has not paid any amounts to the holders of Company Shares pursuant to Section 21 of the Articles of Association.

(f) There are no Unvested Company Shares outstanding.

4.6 Subsidiaries.

(a) Section 4.6(a) of the Disclosure Schedule contains a complete and accurate list of each Subsidiary of the Company, each of which is wholly owned by the Company. Except for the Subsidiaries of the Company set forth in Section 4.6(a) of the Disclosure Schedule, the Company does not own or control, directly or indirectly, any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, or have any commitment or obligation to invest in, purchase any securities or obligations of, fund, guarantee, contribute or maintain the capital of or otherwise financially support any corporation, partnership, joint venture or other business association or entity.

(b) Each Subsidiary of the Company is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization and has full power and authority to conduct its business as currently conducted and as proposed to be conducted by it. Each Subsidiary of the Company is duly qualified to do business and is in good standing in every jurisdiction where the properties, owned, leased or operated, or the business conducted by it, requires such qualification, except for such failures to be so duly qualified and in good standing that would not have a Company Material Adverse Effect. All of the outstanding equity interests of each Subsidiary are duly authorized, validly issued, fully paid and nonassessable and are owned by the Company free and clear of any liens, and none of such outstanding equity interests has been issued in violation of or subject to any preemptive or similar rights, purchase option, call right or right of first refusal.

(c) Prior to the date of this Agreement, the Company has made available to Parent complete and accurate copies of the organizational documents of each Subsidiary of the Company, each as amended and currently in effect. The organizational documents of each Subsidiary of the Company are in

full force and effect, and no Subsidiary of the Company is in material violation of any provision of its organizational documents.

(d) Section 4.6(d) of the Disclosure Schedule contains a complete and accurate list of the directors and officers of each Subsidiary of the Company as of the date hereof.

4.7 Financial Statements.

(a) Section 4.7(a) of the Disclosure Schedule contains a complete and accurate copy of the following financial statements (collectively, the "Financial Statements"): (i) the audited consolidated balance sheet and consolidated statements of income, changes in shareholders' equity and cash flow as of December 31, 2011 and for the twelve-month period ended December 31, 2011, (ii) the audited consolidated balance sheet and consolidated statements of income, changes in shareholders' equity and cash flow as of December 31, 2012 and for the twelve-month period ended December 31, 2012, and (iii) the unaudited consolidated balance sheet and consolidated statements of income, changes in shareholders' equity and cash flow as of December 31, 2013 and for the twelve-month period ended December 31, 2013 (the "Balance Sheet"). The Financial Statements (A) are derived from and in accordance with the books and records of the Company and its Subsidiaries, (B) have been prepared in accordance with GAAP (except that such unaudited Financial Statements do not contain footnotes) applied on a consistent basis throughout the periods indicated and consistent with each other except that may be indicated in the notes thereto, (C) fairly present, in all material respects, the consolidated financial condition of the Company as of the dates therein indicated and the consolidated results of operations and cash flows of the Company for the periods therein specified (subject to, in the case of the unaudited Financial Statements, normal recurring year-end audit adjustments, none of which individually or in the aggregate will be material in amount), and (D) are complete and accurate in all material respects.

(b) The Company has identified all uncertain tax positions contained in all Tax Returns filed by the Company and its Subsidiaries and has established adequate reserves and made any appropriate disclosures in the Financial Statements in accordance with the requirements of ASC 740-10 (formerly Financial Interpretation No. 48 of FASB Statement No. 109, Accounting for Uncertain Tax Positions).

(c) The Company has in place systems and processes (including the maintenance of proper books and records) that (i) provide reasonable assurances regarding the reliability of the Financial Statements and (ii) in a timely manner accumulate and communicate to the Company's principal executive officer and principal financial officer the type of information that would be required to be disclosed in the Financial Statements (such systems and processes are herein referred to as the "Controls"). None of the Company nor its officers has identified or been made aware of any complaint, allegation, deficiency, assertion or claim, whether written or oral, regarding the Controls or the Financial Statements. To the Knowledge of the Company, there have been no instances of fraud, whether or not material, that occurred during any period covered by the Financial Statements.

4.8 Absence of Undisclosed Liabilities. Neither the Company nor any of its Subsidiaries has any Liability, Indebtedness, obligation, expense, claim, deficiency, guaranty or endorsement of any type, whether or not accrued, absolute, contingent, matured, unmatured, known or unknown, or on- or off-balance sheet (in each case whether or not such item would be required to be reflected on a balance sheet in accordance with GAAP), except for those that (i) have been reflected in the Balance Sheet, (ii) have arisen in the ordinary course of business consistent with past practice since the date of the Balance Sheet and prior to the date hereof, or (iii) have arisen since the date hereof and do not arise from a violation of Section 7.1 or Section 7.2 hereof.

4.9 Absence of Changes. Since the date of the Balance Sheet through the date hereof, (i) no Company Material Adverse Effect has occurred, and (ii) without limiting the generality of the foregoing, neither the Company nor any of its Subsidiaries has taken any action that would be prohibited by Section 7.1 or 7.2 if proposed to be taken after the date hereof.

4.10 Taxes.

(a) The Company and its Subsidiaries have filed in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings) with the appropriate Taxing Authority all Tax Returns they were required to file. All such Tax Returns were complete and accurate in all material respects and have been completed in accordance with applicable Law.

(b) The Company and its Subsidiaries have (i) paid all Taxes they were required to pay, and (ii) paid or withheld with respect to their employees and other third parties (and paid over any withheld amounts to the appropriate Taxing Authority) all Taxes required to be paid or withheld, whether or not such payments are in connection with any Tax Return.

(c) Neither the Company nor any of its Subsidiaries has been delinquent in the payment of any material Tax, nor is there any Tax deficiency outstanding, assessed or proposed against the Company or any of its Subsidiaries, nor has the Company or any of its Subsidiaries executed or requested any outstanding waiver of any statute of limitations on or extension of the period for the assessment or collection of any Tax. No power of attorney that is currently in force has been granted by or with respect to the Company or any of its Subsidiaries in connection with any matter relating to Taxes.

(d) No audit or other examination of or proceeding with respect to any Tax Return of the Company or its Subsidiaries is presently in progress, nor has the Company or any of its Subsidiaries been notified of any request for such an audit, examination or proceeding. No adjustment relating to any Tax Return filed by the Company or its Subsidiaries has been proposed by any Taxing Authority to the Company, any of its Subsidiaries or any representative thereof. No claim has ever been made that the Company or any of its Subsidiaries is or may be subject to taxation in a jurisdiction in which it does not file Tax Returns.

(e) The Company has not requested, offered to enter into or entered into any agreement or other arrangement, or executed any waiver, with any Taxing Authority, providing for any extension of time within which: (i) to file any Tax Return covering any Taxes for which the Company is or may be liable; (ii) to file any elections, designations or similar filings relating to Taxes for which the Company is or may be liable; (iii) the Company is required to pay or remit any Taxes or amounts on account of Taxes; or (iv) any Governmental Authority may assess or collect Taxes for which the Company is or may be liable, which is still in force.

(f) Other than the Company’s election regarding the Section 102 capital gain track, the Company has not made, prepared or filed any elections, designations or similar filings relating to Taxes or entered into any agreement or other arrangement in respect of Taxes or Tax Returns with a Taxing Authority that has effect for any period ending after the Closing Date.

(g) All material books and records which the Company or its Subsidiaries are required to keep for Tax purposes (including all documents and records likely to be needed to defend any challenge by any Governmental Authority to the transfer pricing of any transaction) have been duly kept in all material respects in accordance with all applicable requirements and are available for inspection at the premises of the Company.

(h) The Company has never been at any time a “real property” Company (“*Igud Mekarkein*”) as such term is defined in the Israeli Real Property Taxation Law (Appreciation and Purchase) 1963.

(i) Neither the Company nor any of its Subsidiaries has any liabilities for unpaid Taxes as of the date of the Balance Sheet (taking into account valid extensions) that were required to, but that had not been, accrued or reserved on the Balance Sheet, whether asserted or unasserted, contingent or otherwise, and the Company has not incurred any liability for Taxes since the date of the Balance Sheet other than in the ordinary course of business consistent with past practice.

(j) The Company has made available to Parent copies of all Tax Returns, Tax opinions and legal memoranda, audit reports, letter rulings and similar documents for the Company and its Subsidiaries for all periods since its inception, including any Tax ruling obtained from any Israel Tax Authority.

(k) There are (and immediately following the Closing there will be) no Liens on the assets of the Company or any of its Subsidiaries relating or attributable to Taxes other than Liens for Taxes not yet due and payable.

(l) Neither the Company nor any of its Subsidiaries has (a) ever been a member of an affiliated group (within the meaning of Code §1504(a)) filing a consolidated U.S. federal income Tax Return or a Tax Return under similar state, local or non-U.S. Tax laws (other than a group the common parent of which was Company), (b) ever been a party to any written Tax sharing, indemnification or allocation agreement, nor does the Company or any of its Subsidiaries owe any amount pursuant to such an agreement, (c) any liability for the Taxes of any person under Treas. Reg. § 1.1502-6 (or any similar provision of state, U.S. or non-U.S. Law, including any arrangement for group or consortium relief or similar arrangement), as a transferee or successor, by contract, by operation of Law or otherwise and (d) ever been a party to any joint venture, partnership or other agreement that should be treated as a partnership for Tax purposes.

(m) Neither the Company nor any of its Subsidiaries has constituted either a “distributing corporation” or a “controlled corporation” in a distribution of stock intended to qualify for tax-free treatment under Section 355 of the Code.

(n) No Subsidiary of the Company is or has been a “United States real property holding corporation” within the meaning of Section 897(c)(2) of the Code. The Company is not a “controlled foreign corporation” within the meaning of Section 957 of the Code (or any similar provision of state, U.S. or non-U.S. Tax Law) and neither the Company nor any of its Subsidiaries has been or is a stockholder of a controlled foreign corporation. The Company is not a “passive foreign investment company” within the meaning of Section 1297 of the Code (or any similar provision of state, U.S. or non-U.S. Tax law) and neither the Company nor any of its Subsidiaries has been or is a stockholder of a passive foreign investment company.

(o) Neither the Company or any of its Subsidiaries has participated in a reportable transaction under Treas. Reg. § 1.6011-4(b), or section 131(g) of the Israel Tax Ordinance and the Israel Income Tax Regulations (Planning Requiring Reporting) 2006 promulgated therein, including any transaction that is the same as or substantially similar to one of the types of transactions that the Internal Revenue Service or the Israel Tax Authority has determined to be a tax avoidance transaction and identified by notice, regulation, or other form of published guidance as a listed transaction, as set forth in Treas. Reg. § 1.6011-4(b)(2) or the Israel Income Tax Regulations (Planning Requiring Reporting) 2006.

(p) The Company and its Subsidiaries are in compliance in all material respects with all terms and conditions of any Tax exemption, Tax holiday or other Tax reduction agreement or order (each,

a "Tax Incentive"), and the consummation of the transactions contemplated by this Agreement will not have any adverse effect on the continued validity and effectiveness of any such Tax Incentive. Copies of any documents relating to any such Tax Incentives have been made available to Parent.

(q) Neither the Company nor any of its Subsidiaries has received notice from any Taxing Authority that either the Company or any of its Subsidiaries is subject to Tax in any country other than its country of incorporation or formation by virtue of being treated as a resident of or having a permanent or fixed establishment, branch, residence or other taxable presence, other place of business or a source of income in that country. Neither the Company nor any of its Subsidiaries has received notice from any Taxing Authority that either the Company or any of its Subsidiaries is liable for any Tax as the agent of any other Person, business or enterprise or constitutes a permanent establishment or other place of business of any other Person, business or enterprise for any Tax purpose.

(r) The Company and its Subsidiaries are in compliance in all material respects with all applicable transfer pricing laws and regulations, including the execution and maintenance of contemporaneous documentation substantiating the transfer pricing practices and methodology of the Company and its Subsidiaries. To the Knowledge of the Company, the prices for any property or services (or for the use of any property) provided by or to the Company or its Subsidiaries are arm's length prices for purposes of all applicable transfer pricing laws, including Treasury Regulations promulgated under Section 482 of the Code and section 85A of the Israeli Tax Ordinance.

(s) To the Knowledge of the Company, there has been no indication from any Israel Tax authority that the consummation of the Acquisition would adversely affect the Company's ability to set off for Israeli Tax purposes in the future any and all losses accumulated by the Company as of the Closing Date.

(t) There is no deferred gain or loss allocable to the Company or any of its Subsidiaries arising out of any deferred intercompany transaction as defined in Treas. Reg. § 1.1502-13 or any comparable provision of state, local or non-U.S. Tax Law. Neither the Company nor any of its Subsidiaries has engaged in a transaction that is subject to the dual consolidated loss rule of Section 1503(d) of the Code.

(u) Neither the Company nor any of its Subsidiaries will be required to include any income or gain or exclude any deduction or loss from income for any taxable period or portion thereof after the Closing as a result of any (a) change in method of accounting made on or prior to the Closing, (b) closing agreement under Section 7121 of the Code executed on or prior to the Closing, (c) deferred intercompany gain or excess loss account under Treasury Regulations under Section 1502 of the Code in connection with a transaction consummated on or prior to the Closing (or in the case of each of (a), (b) and (c), under any similar provision of applicable Law), (d) installment sale or open transaction disposition consummated on or prior to the Closing or (e) prepaid amount received on or prior to the Closing.

(v) There is no Contract to which the Company or any of its Subsidiaries is a party, including the provisions of this Agreement, covering any Employee or any former Employee of the Company, which, individually or collectively, could give rise to the payment of any amount that would not be deductible pursuant to Sections 280G or 404 of the Code. No payment or benefit which has been, will be or may be made with respect to any Employee and/or former Employee that will, or could reasonably be expected to, be characterized as a "parachute payment," within the meaning of Section 280G(b)(2) of the Code as a result of the transactions contemplated by this Agreement, either alone or in conjunction with any other event (whether contingent or otherwise). There is no Contract to which the Company, any of its Subsidiaries or any ERISA Affiliate is a party or by which it is bound to compensate any Employee and/or any former

Employee for excise Taxes paid pursuant to Section 4999 of the Code. Section 4.10(v) of the Disclosure Schedule contains a complete and accurate list of all persons who are "disqualified individuals" (within the meaning of Section 280G of the Code and the regulations promulgated thereunder) as determined as of the date hereof.

(w) The Company is not party to any Contract that is a "nonqualified deferred compensation plan" subject to Section 409A of the Code and the regulations and other guidance promulgated thereunder. The Company is not a party to, or otherwise obligated under, any Contract that provides for a gross up of Taxes imposed by Section 409A of the Code. Each such nonqualified deferred compensation plan has been operated in compliance, in all material respects, with Section 409A of the Code. No stock option or other right to acquire Company Shares or other equity of the Company (i) has an exercise price that was less than the fair market value of the underlying equity as of the date such option or right was granted (determined in a manner consistent with Section 409A of the Code), (ii) has any feature for the deferral of compensation other than the deferral of recognition of income until the later of exercise or disposition of such option or rights, (iii) has been granted after December 31, 2004, with respect to any class of stock of the Company that is not "service recipient stock" (within the meaning of applicable regulations under Section 409A of the Code) or (iv) has failed to be properly accounted for in accordance with GAAP in the Financial Statements.

(x) Section 4.10(x) of the Disclosure Schedule contains a complete and accurate list of each material tax or other incentive granted to or enjoyed by the Company and its Subsidiaries under the laws of the State of Israel or any other jurisdictions including, without limitation, grants, incentives, exemptions, tax reliefs and subsidies from (i) the Investment Center of the Israeli Ministry of Economy (formerly known as Ministry of Industry, Trade & Labor), (ii) the Office of Chief Scientist of the Israeli Ministry of Economy, (iii) the BIRD Foundation and any other similar governmental or government-related entity, and (iv) the Fund for the Encouragement of Marketing (the "Grants"). Section 4.10(x) of the Disclosure Schedule details all material undertakings of the Company given in connection with the Grants. Section 4.10(x) of the Disclosure Schedule includes all Preferred and Beneficial Enterprise filings and/or Approved Enterprise approvals of the Company under the Israel Law for the Encouragement of Capital Investment, 1959.

(y) The Company and its Subsidiaries have complied, in all material respects, with all Laws to be entitled to claim all Grants. Without limiting the generality of the above, Section 4.10(y) of the Disclosure Schedule includes the aggregate amounts of each Grant. The Company is not aware of any event or other set of circumstances that might lead to the revocation or material modification of any of the Grants and/or tax incentives. The Company is in compliance, in all material respects, with the terms and conditions of the Grants and has duly fulfilled, in all material respects, all the undertakings relating thereto. To the Company's Knowledge, consummation of the Acquisition shall not adversely affect the continued qualification for the incentives or the terms or duration thereof or require any recapture of any previously claimed benefit, and no consent or approval of any Governmental Authority is required, prior to the consummation of the Acquisition, in order to preserve the entitlement of the Company or its Subsidiaries to any such benefit. The Company is not aware of any event or other set of circumstances that might lead to the revocation or material modification of any of the Grant other than such circumstances applicable by Law or by the terms of such Grants other than such circumstances applicable by Law or by the terms of such Grants.

(z) Neither the Company nor any of its Subsidiaries is subject to any restrictions or limitations pursuant to Part E2 of the Israeli Tax Ordinance or pursuant to any tax ruling made with reference to the provisions of Part E2.

(aa) In relation to goods and services tax or value added or other similar Tax, the Company and each of its Subsidiaries:

(i) Has been duly registered and are taxable persons;

(ii) Has complied, in all material respects, with all statutory requirements, orders, provisions, directives or conditions;

(iii) Has not been required by the relevant authorities of customs and excise to give security;

(iv) Has collected and timely remitted to the relevant Taxing Authority all output value added tax which they were required to collect and remit under any applicable law; and

(v) Has not received a refund for input value added tax for which they are not entitled under any applicable Law.

4.11 Property.

(a) Neither the Company nor any of its Subsidiaries currently owns or has ever owned any real property.

(b) Section 4.11(b) of the Disclosure Schedule contains a complete and accurate list of all of the existing leases, subleases, licenses, or other agreements (collectively, the "Real Property Leases") under which the Company or any of its Subsidiaries uses or occupies or has the right to use or occupy any real property (the "Leased Premises"), the name of the lessor, the date and term of the Real Property Lease and each amendment thereto, the size of the Leased Premises and the aggregate annual rental payable thereunder. The Company has made available to Parent complete and accurate copies of all Real Property Leases (including all modifications, amendments, supplements, consents, waivers and side letters thereto and all agreements in connection therewith, including all work letters, improvement agreements, estoppel certificates, subordination agreements, and guarantees). The Real Property Leases do not contain any provisions resulting in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice, consent or waiver under, or result in the loss of any benefit to which the Company or any of its Subsidiaries is entitled under, any Real Property Leases as result of the transactions contemplated under this Agreement. The Real Property Leases are each in full force and effect and are valid and binding obligations of the Company or one of its Subsidiaries, and neither the Company nor any of its Subsidiaries are in breach of or default under, nor have they received written notice of any breach of or default under, any Real Property Lease and, to the Knowledge of the Company, no event has occurred that with notice or lapse of time or both would constitute a material breach or material default thereunder by the Company, any of its Subsidiaries or any other party thereto. Neither the Company nor any of its Subsidiaries have transferred or assigned any interest in any Real Property Lease, nor have they subleased or otherwise granted rights of use or occupancy of any of the premises described therein to any other person or entity. The Company or one of its Subsidiaries currently occupies all of the Leased Premises for the operation of its business, and there is no other person or entity with a right to occupy the Leased Premises. The Leased Premises and the personal tangible property owned or leased by the Company or any of its Subsidiaries are in good operating condition and repair and free from any material defects, reasonable wear and tear excepted. Neither the Company nor any of its Subsidiaries is party to any agreement or subject to any claim that may require the payment of any real estate brokerage commissions, and no such commission is owed with respect to any of the Leased Premises.

(c) The Company and each of its Subsidiaries has good and marketable title to, or in the case of leases of properties and assets, a valid leasehold interest in, all tangible properties and tangible assets that are used by the Company to conduct all of the businesses and operations of the Company and its Subsidiaries as currently conducted, including all properties and assets reflected on the Balance Sheet or acquired after the date of the Balance Sheet, and none of such properties or assets is subject to any Lien.

4.12 Intellectual Property.

(a) Registered Intellectual Property; Proceedings. Section 4.12(a) of the Disclosure Schedule contains a complete and accurate list of (i) all Company Registered Intellectual Property (including the jurisdiction in which each such item of Intellectual Property has been registered or filed and the applicable registration, application or serial number or similar identifier) and (ii) any proceedings or actions before any court, tribunal, or Governmental Authority in which any of the Company Registered Intellectual Property is involved.

(b) Registration. Each item of Company Registered Intellectual Property is to the Knowledge of the Company, valid, subsisting and in full force and effect (except with respect to applications). All necessary registration, maintenance and renewal fees in connection with such Company Registered Intellectual Property have been paid and all necessary documents and certificates in connection with such Company Registered Intellectual Property have been filed with the relevant Governmental Authorities in the United States, Israel and other jurisdictions, as the case may be, for the purposes of prosecuting and maintaining such Company Registered Intellectual Property. Neither the Company nor any of its Subsidiaries has claimed any “small business status” in the application for or registration of any Company Registered Intellectual Property, nor any other status that, to the Knowledge of the Company, would not be applicable to Buyer, the Company, or any such Subsidiary of the Company. To the Knowledge of the Company, there exist no materials, information, facts or circumstances, including any information or fact that would constitute prior art, that would render any of the Company Registered Intellectual Property that is not an application invalid or unenforceable, or would adversely affect any pending application for any Company Registered Intellectual Property. Neither the Company nor any of its Subsidiaries has misrepresented, or failed to disclose, any facts or circumstances in any application for any Company Registered Intellectual Property that would constitute fraud or a misrepresentation with respect to such application or that would otherwise affect the enforceability of any Company Registered Intellectual Property.

(c) Further Actions. There are no actions that must be taken by the Company or any of its Subsidiaries within one hundred twenty (120) days of the date hereof, including the payment of any registration, maintenance or renewal fees or the filing of any documents, applications or certificates for the purposes of maintaining, perfecting or preserving or renewing any Company Registered Intellectual Property.

(d) Assignments and Recordation. In each case in which the Company or any of its Subsidiaries has acquired or sought to acquire any ownership of material Intellectual Property Rights from any Person, including as a result of engaging any Person to develop or create any Intellectual Property or Intellectual Property Rights for the Company or any of its Subsidiaries, the Company or such Subsidiary, as the case may be, has obtained, to the fullest extent permissible under any applicable Law, a valid and enforceable assignment sufficient to irrevocably transfer all such Intellectual Property Rights (including the right to seek past and future damages with respect thereto) to the Company or such Subsidiary, as the case may be.

(e) Transferability and Export. All Company Intellectual Property will be fully transferable, alienable or licensable by the Company, a Subsidiary of the Company and/or Buyer without

restriction and without payment of any kind to any third party. Other than as set forth on Section 4.12(e) of the Disclosure Schedule, all Company Intellectual Property may be exported or transferred out of Israel without restriction and without payment of any kind to any third party or Governmental Authority.

(f) Absence of Liens. Each item of Company Intellectual Property (including all Company Registered Intellectual Property) and all Intellectual Property licensed to the Company or its Subsidiaries, is free and clear of any Liens. The Company or a Subsidiary of the Company has the sole and exclusive right to bring a claim or suit against a third party for infringement, misappropriation or violation of any Company Intellectual Property and to collect any damages or other amounts payable by such third party to the Company or a Subsidiary of the Company as a result thereof.

(g) Transfer. Neither the Company nor any of its Subsidiaries has (i) assigned or otherwise transferred full or partial ownership of, or granted any exclusive license of or exclusive right to use, or authorized the retention of any exclusive rights to use or joint ownership of, any Intellectual Property Rights that are or were Company Intellectual Property, to any other Person or (ii)to the Knowledge of the Company permitted the Company's or any of its Subsidiaries' rights in any Intellectual Property Rights that are or were Company Intellectual Property to lapse or enter into the public domain.

(h) OCS. None of the Company Products (including any products or services under development), or any Intellectual Property under development by Company, directly or indirectly, is based upon, uses or incorporates any Intellectual Property or Intellectual Property Rights that were developed using funding provided by the Office of the Chief Scientist of the Israeli Ministry of Economy (formerly referred to as the Ministry of Industry, Trade & Labor, ("OCS"), nor does the OCS or any other Governmental Authority have any ownership interest in or right to restrict the sale, licensing, distribution or transfer of any Company Intellectual Property or Company Products. Without limiting the generality of the foregoing, each item of Company Intellectual Property is and will be freely transferable, conveyable and/or assignable by the Company and/or a Subsidiary of the Company to any entity located in any jurisdiction in the world without any restriction, constraint, control, supervision or limitation that could be imposed by the OCS or any other Governmental Authority.

(i) Licenses-In. Section 4.12(i) of the Disclosure Schedule contains a complete and accurate list of all Contracts pursuant to which a third party has licensed or granted any right to the Company or any of its Subsidiaries in any Intellectual Property or Intellectual Property Rights ("In-Licenses"), other than (i) licenses for Shrink-Wrapped Code not distributed by the Company, (ii) licenses of Open Source as set forth in Section 4.12(s) of the Disclosure Schedule and (iii) non-disclosure Contracts entered into in the ordinary course of business consistent with past practice.

(j) Licenses-Out. Section 4.12(j) of the Disclosure Schedule contains a complete and accurate list of all Contracts pursuant to which the Company or any of its Subsidiaries has granted or provided any third party any rights or licenses to any Company Intellectual Property and/or Company Products (including rights to use, distribute or resell any Company Products) or has agreed to or is required to provide or perform any services related to any Company Product ("Out-Licenses", together with the In-Licenses, the "IP Contracts") other than (i) non-disclosure Contracts entered into in the ordinary course of business consistent with past practice, and (ii) Contracts for the sale, license, support or service of Company Products in the ordinary course of business consistent with past practice pursuant to substantially and materially its standard customer Contract, the form of which has been made available to Buyer.

(k) No Default/No Conflict. All IP Contracts, other than those that have expired or terminated in accordance with their terms prior to the date hereof, are in full force and effect, and enforceable

in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally and by general equitable principles. The consummation of the transactions contemplated by this Agreement shall neither violate nor by their terms result in the breach, modification, cancellation, termination, suspension of, or acceleration of any payments with respect to, all IP Contracts. Each of the Company and its Subsidiaries is in material compliance with, and has not materially breached any term of any IP Contracts and, to the Knowledge of the Company, all other parties to all IP Contracts are in compliance with, and have not materially breached any term of, such IP Contracts. Following the Closing Date, the Company and its Subsidiaries shall be permitted to exercise all of the Company's and its Subsidiaries' rights under all IP Contracts to the same extent the Company and its Subsidiaries would have been able to had the transactions contemplated by this Agreement not occurred and without the payment of any additional amounts or consideration other than ongoing fees, royalties or payments which the Company or any of its Subsidiaries would otherwise be required to pay.

(l) No Infringement. The operation of the business of the Company and its Subsidiaries as it is currently conducted by the Company and its Subsidiaries or, with respect to all Company Products, as it is currently and is currently contemplated to be conducted by the Company and its Subsidiaries, including the design, development, use, import, branding, advertising, promotion, marketing, manufacture and sale of any Company Product does not infringe or misappropriate and shall not infringe or misappropriate when conducted by Buyer, the Company and/or such Subsidiaries of the Company following the Closing (when conducted in substantially the same manner as conducted prior to the Closing), any Intellectual Property Rights of any Person, or constitute unfair competition or trade practices under the laws of any jurisdiction. No third party that has licensed Intellectual Property or Intellectual Property Rights to the Company or any of its Subsidiaries has ownership rights or license rights to improvements or derivative works made by the Company or any of its Subsidiaries in such Intellectual Property or Intellectual Property Rights that have been licensed to the Company or any of its Subsidiaries.

(m) Notice. Neither the Company nor any of its Subsidiaries has received written notice, or, to the Knowledge of the Company, any other notice from any Person claiming that any Company Product or Company Intellectual Property infringes or misappropriates any Intellectual Property Rights of any Person or constitutes unfair competition or trade practices under the laws of any jurisdiction (nor does the Company have Knowledge of any basis therefor).

(n) No Third Party Infringement. To the Knowledge of the Company, no Person has infringed, misappropriated or otherwise violated, or is infringing, misappropriating or otherwise violating, any Company Intellectual Property.

(o) Transaction. Neither this Agreement nor the transactions contemplated by this Agreement, including the assignment to Buyer by operation of Law or otherwise of any Contracts to which the Company or any of its Subsidiaries is a party, will result in: (i) Buyer, any of its Subsidiaries or the Company or any of its Subsidiaries granting to any third party any right to or with respect to any Intellectual Property Rights owned by, or licensed to, any of them, (ii) Buyer, any of its Subsidiaries or the Company or any of its Subsidiaries, being bound by, or subject to, any non-compete, exclusivity provision, or other material restriction on the operation or scope of their respective businesses, or (iii) Buyer, any of its Subsidiaries or the Company or any of its Subsidiaries being obligated to pay any royalties or other material amounts, or offer any discounts, to any third party in excess of those payable by, or required to be offered by, any of them, respectively, in the absence of this Agreement or the transactions contemplated hereby. Neither the Company nor any of its Subsidiaries is a party to, subject to, or bound by any Contract that would

give any third party any option, right of first refusal or offer, right of negotiation or similar right with respect to the licensing of any Company Intellectual Property.

(p) Confidentiality and Invention Assignment. Each of the Company and its Subsidiaries has taken reasonable measures to protect its Confidential Information and Trade Secret Rights and the Confidential Information and Trade Secret Rights of any third party provided to the Company or any of its Subsidiaries. Without limiting the generality of the foregoing, the Company and each of its Subsidiaries has, and enforces, a policy requiring each current and former Employee (including the Founders) and each current and former Contractor involved in the creation of Intellectual Property or Intellectual Property Rights for the Company or any of its Subsidiaries to execute a proprietary information, confidentiality and invention assignment Contract in the form(s) made available to Parent and/or Buyer (each a "Proprietary Information Agreement"), and all current and former Employees and all current and former Contractors of the Company and its Subsidiaries at any time involved in the creation of Intellectual Property Rights for the Company or its Subsidiaries have executed such a Proprietary Information Agreement ensuring that all such Intellectual Property and Intellectual Property Rights are owned exclusively by the Company or its Subsidiaries. The Company has not received any written claims of third parties (including current and former Employees or current and former Contractors or their current or former employers) and, to the Knowledge of the Company, there are no other claims alleging ownership of any Company Intellectual Property. All amounts payable by the Company or its Subsidiaries to all Persons involved in the research, development, conception or reduction to practice of any of the Company's or any Subsidiary's Intellectual Property or Intellectual Property Rights have been paid in full, and all current and former Employees and all current and former Contractors have expressly and irrevocably waived, to the fullest extent permissible under applicable Law, the right to receive additional compensation for such Intellectual Property or Intellectual Property Rights, including without limitation, any right to receive compensation in connection with "Service Inventions" under Section 134 of the Israeli Patent Law-1967 or any other similar provision under any applicable Law of any applicable jurisdiction. All such Persons who have contributed to the creation, invention, modification or improvement of any Company Intellectual Property, in whole or in part, have explicitly waived any and all Moral Rights with respect to the Company Intellectual Property. No current or former Employee or current or former Contractor of the Company or any or its Subsidiaries has any right, license, claim or interest whatsoever in or with respect to any Company Intellectual Property or Company Intellectual Property Rights. To the Knowledge of the Company, no current or former Employee or current or former Contractor of the Company or any or its Subsidiaries: (i) has been or is in material violation of applicable Law or any term or covenant of any employment contract, patent disclosure agreement, invention assignment agreement, nondisclosure agreement, noncompetition agreement or any other Contract with any other party by virtue of such Employee's or Contractor's being employed by, or performing services for, the Company or any or its Subsidiaries or using Confidential Information of others without permission; or (ii) has developed any Intellectual Property for the Company while they were working for the Company or any or its Subsidiaries that is subject to any contract under which such Employee or Contractor has assigned or otherwise granted to any third party any rights (including Intellectual Property Rights) in or to such Intellectual Property. No current or former Employee or current or former Contractor who was involved in, or who contributed to, the creation or development of any Company Intellectual Property has performed services for the government, for the government-owned institution or branch, including without limitation the Israeli Defense Force, for a university, college or other educational institution or for a research center during a period of time during which such Employee or Contractor was also performing services for the Company or any or its Subsidiaries.

(q) No Malicious Software: None of the Company Products contains any "back door," "drop dead device," "time bomb," "Trojan horse," "virus" or "worm" (as such terms are commonly understood in the software industry) or any other code designed or intended to have, or capable of performing

or without user intent will cause, any of the following functions: (i) disrupting, disabling, harming or otherwise impeding in any manner the operation of, or providing unauthorized access to, a computer system or network or other device on which such code is stored or installed, (ii) damaging or destroying any data or file without the user's consent, or (iii) sending information to Company a Company Subsidiary or any third party. None of the Company Products (i) constitutes or is considered "spyware" or "trackware" as such term is commonly understood in the software industry, (ii) is installed on a user's computer without their knowledge, (iii) records a user's actions without their knowledge, (iv) employs a user's Internet connection without their knowledge to gather or transmit information on the user or their behavior, or (v) will load whenever a browser starts or share the browser's memory context. For the purposes of this paragraph, "without a user's knowledge" includes but is not limited to (a) without explicitly informing the user and (b) without being expected by a reasonable user *even if* the text of a license agreement, help file, or other user information file does explicitly inform such user.

(r) No Order. No Company Intellectual Property or Company Product is subject to any proceeding or outstanding decree, order, judgment, settlement Contract, forbearance to sue, consent, stipulation or similar obligation that restricts in any manner the use, transfer or licensing thereof by the Company or any of its Subsidiaries or may affect the validity, use or enforceability of such Company Intellectual Property or Company Product.

(s) Open Source. Section 4.12(s)(i) of the Disclosure Schedule contains, as of the date hereof, a complete and accurate list of all Open Source that has been incorporated into or used in the development, testing, or delivery of any Company Product or Company Intellectual Property in any way and describes the manner in which such Open Source was incorporated or used with respect to the Company Products and Company Intellectual Property (such description shall include, without limitation, whether (and, if so, how) the Open Source was modified and/or distributed by the Company and whether (and if so, how) such Open Source was incorporated into and linked in any Company Intellectual Property). Except as set forth in Section 4.12(s)(ii) of the Company Disclosure Schedule, neither the Company, any of its Subsidiaries, or any Person acting on any of their behalves has: (i) incorporated Open Source into, or combined Open Source with, any Company Products; or (ii) distributed or provided Open Source in conjunction with, or for use with, any Company Products. Except as set forth in Section 4.12(s)(iii) of the Company Disclosure Schedule, neither the Company, nor any of its Subsidiaries, or any Person acting any of their behalves, has used Open Source in a manner that (A) requires or purports to require any Company Products, any portion thereof, or any other Company Intellectual Property to be subject to any Copyleft Licenses (or any of the obligations or attributes thereof as specified in (i) through (iv) of the definition thereof); or (B) causes, or purports to cause, any Confidential Information of the Company to become publicly disclosed. Except as set forth in Section 4.12(s)(iv) of the Company Disclosure Schedule, each of the Company and its Subsidiaries is in full compliance with all licenses for Open Source applicable thereto, including without limitation any and all Intellectual Property Rights notice and attribution requirements.

(t) Source Code. Neither the Company, any of its Subsidiaries, nor any other Person acting on any of their behalves has disclosed, delivered or licensed to any Person, agreed to disclose, deliver or license to any Person, or permitted the disclosure or delivery to any escrow agent or other Person of, any Source Code that is Company Intellectual Property, other than to Employees bound by Proprietary Information Agreements. No Person other than an Employee bound by a Proprietary Information Agreement has accessed or obtained any Source Code that is Company Intellectual Property. To the Knowledge of the Company, no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time, or both) has or would reasonably be expected to, result in the disclosure or delivery by the Company, any of its Subsidiaries or any Person acting on their behalf to any Person of any Source Code that is Company Intellectual Property. Section 4.12(t) of the Disclosure Schedule identifies each Contract

pursuant to which the Company or any of its Subsidiaries has deposited, or is or may be required to deposit, with an escrow agent or any other Person, or otherwise provide a copy of or access to any Source Code that is Company Intellectual Property, and describes whether the execution of this Agreement or any of the other transactions contemplated by this Agreement, could result in the release from escrow or provision of a copy to any Person of any Source Code that is Company Intellectual Property.

(u) Government Funding. No funding from any Governmental Authority, nor any facilities or resources of a university, college, other educational institution or research center or funding from third parties was used in the development of the Company Intellectual Property, and no Governmental Authority, university, college, other educational institution or research center, or other third party has any claim or right in or to the Company Intellectual Property.

(v) Warranties and Product Liability. There (i) is no notice, demand, claim, action, suit, inquiry, hearing, proceeding, notice of violation or investigation from, by or before any Governmental Authority relating to any Company Product, or claim or lawsuit involving a Company Product which is pending or, to the Knowledge of the Company, threatened, by any Person, and (ii) has not been, nor is there under consideration by the Company, any Company Product recall or post-sale warning of a material nature concerning any Company Product. To the Knowledge of the Company, there is no basis for any of the foregoing. All Company Products comply in all material respects with applicable Laws, and there have not been and there are no material defects or deficiencies in the Company Products.

(w) Standards. Neither the Company nor any of its Subsidiaries has made any submission or suggestion to, nor is subject to any Contract with, any standards body or other entity that would obligate the Company, any of its Subsidiaries, or Buyer or any of its Subsidiaries to grant licenses to or otherwise impair or limit its control of its respective Intellectual Property or Intellectual Property Rights.

(x) Privacy. The Company, its Subsidiaries, the Company Products, and all Internet websites owned, maintained or operated by or on behalf of the Company or its Subsidiaries ("Company Sites"), and all third parties acting on the Company's or its Subsidiaries' behalf or that otherwise have access to Private Information collected by or on behalf of the Company or its Subsidiaries, comply, and have at all times complied, with all Laws (including Israeli Privacy Protection Law 5741-1981 and related regulations), obligations under Contracts, fiduciary obligations, the Company's and its Subsidiaries' internal and public-facing privacy policies, any public statements made by the Company or any Subsidiaries regarding their privacy policies or practices, third party privacy policies which the Company or any of its Subsidiaries has been obligated under any Contract to comply with, and any rules of applicable self-regulatory or other organizations in which the Company or any of its Subsidiaries is or has been a member (collectively, "Privacy Laws and Requirements") relating to the privacy of current and former Employees, current and former Contractors and users of Company Sites and Company Products, and the collection, use, retention, disclosure, or other processing of any Private Information collected or used by the Company, its Subsidiaries, or third parties having access to such Private Information. The execution, delivery and performance of this Agreement complies with all Privacy Laws and Requirements. Copies of all current and prior internal and public-facing privacy policies of the Company that apply to the Company Sites and Company Products have been made available to Parent and/or Buyer. To the Knowledge of the Company, there is no complaint to, or any audit, proceeding, investigation (formal or informal) or claim currently pending against, the Company, its Subsidiaries or any of its customers (specific to the Company Products) by any private party or any Governmental Authority, foreign or domestic, with respect to Private Information. With respect to all Private Information collected, stored, used, or maintained by or for the Company or its Subsidiaries, the Company and its Subsidiaries have at all times implemented reasonable security measures to ensure that such Private Information is protected against loss and against unauthorized access, use, modification, and disclosure.

There has been no loss, unauthorized access to or other misuse of such Private Information. All Databases required to be registered by the Company or any of its Subsidiaries have been properly registered.

(y) Customer Information. (i) The Company or one of its Subsidiaries has sole and exclusive ownership, free and clear of any Liens, of all customer contact information, customer correspondence and customer licensing and purchasing histories relating to its current and former customers (the "Customer Information"). (ii) To the Knowledge of the Company, no Person other than the Company or its wholly owned Subsidiaries possesses any claims or rights with respect to the use of the Customer Information. (iii) The Company and each of its Subsidiaries' use of the Company's Customer Information is in compliance with applicable Laws (including without limitation the Privacy Laws and Requirements) and will not give rise to any third party claims.

4.13 Encryption and Other Restricted Technology. The business of the Company and its Subsidiaries as currently conducted does not involve the use or development of, or engagement in, encryption technology, or other technology whose development, commercialization or export is restricted under the Laws of the United States or the State of Israel, and to conduct its business as currently conducted, neither the Company nor any of its Subsidiaries is or has been under any obligation to obtain any approvals from the U.S. Bureau of Industry and Security or any licenses from the Israeli Ministry of Defense or any authorized body thereof pursuant to Section 2(a) of the Control of Products and Services Declaration (Engagement in Encryption), 1974, as amended, or other legislation regulating the development, commercialization or export of technology, other than as set forth on Section 4.13 of the Disclosure Schedule. The Company and its Subsidiaries have obtained all licenses and other approvals required for its use, development, commercialization, imports and exports of products, software and technologies which may involve the use or engagement in encryption technology, or may involve any other technology whose development, commercialization, import or export is restricted or otherwise regulated under Israeli, United States or other applicable jurisdiction laws or regulations, including Section 2(a) of the Israeli Control of Products and Services Declaration (Engagement in Encryption), 1974, as amended and the Israeli Law of Regulation of Security Exports, 2007, and the Company and its Subsidiaries are in compliance with, all such approvals and licenses listed on Section 4.13 of the Disclosure Schedule and all such approvals and licenses are in full force and effect. There are no pending or, to the knowledge of the Company, threatened claims against the Company or any of its Subsidiaries with respect to such export licenses or other approvals. The Company and each Company Subsidiary has developed, used and commercialized the Company Products and conducted its import and export transactions, including all downloads of Company's software, all transfers of software code (in binary or source code forms), and all transfers of technology including without limitation to Company's third party developers, in accordance in all respects with applicable provisions of Israel, United States or any other applicable jurisdictions governing the use, development, import, export or other engagement in encryption technology and any other restricted technologies. Any transfers or exports of Company's server-side code have been done in accordance with the import and export control laws and regulations of applicable jurisdictions, including without limitation, Section 2(a) of the Israeli Control of Products and Services Declaration (Engagement in Encryption), 1974, as amended and the Israeli Law of Regulation of Security Exports, 2007, or under any other legislation regulating the development, commercialization or export of technology.

4.14 Contracts.

(a) Section 4.14 of the Company Disclosure Schedule sets forth a complete and accurate list of the following Contracts to which the Company or any of its Subsidiaries is a party as of the date hereof (each, a "Material Contract" and collectively the "Material Contracts"):

(i) any Contract (including purchase orders) that involves performance of services or delivery of goods or materials by or to the Company or any of its Subsidiaries of an amount or value in excess of $10,000 individually or $25,000 in the aggregate;

(ii) any Contract relating to capital expenditures and involving future payments in excess of $10,000 individually or $25,000 in the aggregate;

(iii) any Contract that expires more than one year after the date of this Agreement (including any Contract that renews automatically unless a party to such Contract gives notice of non-renewal);

(iv) any Contract with support obligations that cannot be terminated with 90 days' notice without penalty;

(v) any Contract with indemnification obligations (excluding indemnification for third party infringement claims caused by a Company Product that is contained in the Company's standard Contract with customers entered into in the ordinary course of business consistent with past practice);

(vi) any dealer, distributor, reseller, sales representative, affiliate, joint marketing, strategic alliance, or similar Contract;

(vii) any Contract (other than those required to be disclosed pursuant to Section 4.14(a)(xix) hereof) with any current or former shareholder, employee, officer or director of the Company, or any "affiliate" or "associate" of such persons (as such terms are defined in the rules and regulations promulgated under the Securities Act) (any of the foregoing, a "Related Party"), including any Contract providing for the furnishing of services by, rental of real or personal property from, or otherwise requiring payments to or from any Related Party;

(viii) any Contract limiting the ability of the Company or any of its Subsidiaries to engage or participate, or compete with any other Person, in any line of business, market or geographic area, or to make use of any Intellectual Property or Intellectual Property Rights, or any Contract granting most favored nation pricing, exclusive sales, distribution, marketing or other exclusive rights, rights of refusal, rights of first negotiation or similar rights and/or terms to any Person, or any Contract otherwise limiting the right of the Company or any of its Subsidiaries to sell, distribute or manufacture any products or services or to purchase or otherwise obtain any Intellectual Property, software, components, parts, subassemblies or services;

(ix) all IP Contracts, excluding licenses for only Shrink-Wrapped Code, licenses of Open Source set forth in Section 4.12(s) of the Disclosure Schedule, non-disclosure Contracts entered into the ordinary course of business consistent with past practice, Contracts for the sale, license, support or service of Company Products in the ordinary course of business consistent with past practice pursuant to substantially and materially its standard customer Contract, the form of which has been made available to Buyer;

(x) all licenses, sublicenses and other Contracts pursuant to which the Company or any of its Subsidiaries has agreed to any restriction on the right of the Company or any of its Subsidiaries to use or enforce any Company Intellectual Property or pursuant to which the Company or any of its Subsidiaries agrees to encumber, transfer or sell rights in or with respect to any Intellectual Property or Intellectual Property Rights that are, or were, Company Intellectual Property;

(xi) any Contract providing for the development of any Intellectual Property or Intellectual Property Rights, independently or jointly, by or for the Company or any of its Subsidiaries;

(xii) any trust, loan agreement, indenture, note, bond, debenture or any other document or Contract evidencing Indebtedness to any Person, any capitalized lease obligation, or any commitment to provide any of the foregoing, or any agreement of guaranty, indemnification or other similar commitment with respect to the obligations or Liabilities of any other Person;

(xiii) any Contract for the disposition of any material portion of the assets or business (whether by merger, sale of stock, sale of assets or otherwise) of the Company or any of its Subsidiaries;

(xiv) any Contract for the acquisition by the Company of the business or capital stock of another party (whether by merger, sale of stock, sale of assets or otherwise);

(xv) any Contract concerning a joint venture, joint development or other similar arrangement with one or more Persons;

(xvi) any hedging, futures, options or other derivative Contract;

(xvii) any Contract, including any stock option plan, stock appreciation rights plan, stock purchase plan or phantom stock plan, any of the benefits of which will be increased, or the vesting of benefits of which will be accelerated or may be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement;

(xviii) any Contract creating any obligation with respect to the payment of any severance, retention, bonus, success, change of control or other similar payment to any Person the payment or acceleration of which is triggered by the Company entering into this Agreement, or the consummation of any of the transactions contemplated hereby or any subsequent transactions or events;

(xix) any Contract for the employment of any director, officer, employee or consultant of the Company or any of its Subsidiaries or any other type of Contract with any officer, employee or consultant of the Company or any of its Subsidiaries that is not immediately terminable by the Company or such Subsidiary without cost or Liability, including any Contract requiring it to make a payment to any director, officer, employee or consultant on account of the Acquisition, any transaction contemplated by this Agreement or any Contract that is entered into in connection with this Agreement;

(xx) any Contract with any labor union or any collective bargaining agreement or similar contract with its employees;

(xxi) any Contract with any investment banker, broker, advisor or similar party, or any accountant, legal counsel or other Person retained by the Company or any of its Subsidiaries, in connection with this Agreement and the transactions contemplated hereby;

(xxii) any nondisclosure, confidentiality or similar agreement (other than those disclosed pursuant to Section 4.14(a)(xix) hereof);

(xxiii) any settlement agreement;

(xxiv) any fidelity or surety bond or completion bond;

(xxv) any lease of personal property or other Contract affecting the ownership of, leasing of, or other interest in, any personal property;

(xxvi) any Real Property Lease; or

(xxvii) any Contract that as a result of the execution of this Agreement by the Company would require the Company to provide notice to another Person or take any other action not otherwise required under the terms of such Contract, or would give rise to any additional rights or obligations under such Contract;

(xxviii) any other Contract that involves $10,000 individually or $25,000 in the aggregate or more and is not cancellable without penalty within thirty (30) days.

(b) True, complete and correct copies of each Material Contract (including all amendments thereto) have been made available to Parent. Each Material Contract is a valid and binding agreement of the Company and, to the Knowledge of the Company, each other party thereto, enforceable against the Company, and, to the Knowledge of the Company, each other party thereto, in accordance with its terms, and is in full force and effect with respect to the Company and, to the Knowledge of the Company, each other party thereto, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies. The Company is in material compliance with and has not materially breached, violated or defaulted under, or received notice that it has materially breached, violated or defaulted under, any of the terms or conditions of any Material Contract, nor to the Knowledge of the Company is any party obligated to the Company pursuant to any Material Contract subject to any material breach, violation or default thereunder, nor does the Company have Knowledge of any presently existing facts or circumstances that, with the lapse of time, giving of notice, or both would constitute such a material breach, violation or default by the Company or any such other party.

(c) The Company has performed all material obligations required to have been performed by the Company pursuant to each Material Contract.

(d) All outstanding indebtedness for borrowed money of the Company may be prepaid without penalty, premium or other costs of any kind beyond principal and accrued interest.

4.15 Benefit Plans.

(a) For purposes of this Agreement, the term "Company Employee Plan" or "Plan" shall mean any employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether or not subject to ERISA), any bonus, profit sharing, compensation, pension, retirement, "401(k)," "SERP," severance, savings, deferred compensation, fringe benefit, insurance, post-retirement health or welfare benefit, life, stock option, stock purchase, restricted stock, equity compensation, stock appreciation right, restricted stock unit, tuition refund, service award, company car or car allowance, scholarship, housing or living allowances, relocation, disability, accident, sick pay, sick leave, accrued leave, vacation, paid time off, holiday, termination, unemployment, individual employment, consulting, executive compensation, incentive, commission, payroll practices, retention, change in control, non-competition, other plan, agreement, policy, trust fund or arrangement (whether written or unwritten, insured or self-insured), and any plan subject to Sections 125, 127, 129, 137 or 423 of the Code, currently maintained, sponsored or contributed to by the Company, any Subsidiary of the Company, other

Person under common control with the Company or any of its Subsidiaries within the meaning of 414(b), (e), (m) or (o) of the Code and the regulations promulgated thereunder (an "ERISA Affiliate") or to which the Company, any Subsidiary or any ERISA Affiliate is a party or to which the Company, any Subsidiary or any ERISA Affiliate has any Liabilities with respect to any Employees and/or former Employees. Section 4.15(a) of the Disclosure Schedule includes a complete and accurate list of all Plans and Employee Agreements, and the Company has made available to Parent a complete and accurate copy of each Plan reduced to writing, as well as, if applicable, a copy of each trust or other funding arrangement, each summary plan description and summary of material modifications, and the most recent determination letter received from the IRS, if any. The Company has made available to Parent complete and accurate copies of all Form 5500 Series annual reports for each Plan for the prior three (3) years, together with all schedules, attachments, and related opinions and copies of any correspondence from or to the IRS, the Department of Labor or other U.S. government department or agency relating to an audit or penalty assessment with respect to any Plan or relating to requested relief from any Liability or penalty relating to any Plan.

(b) Each Plan and each funding vehicle related to such Plan is currently in compliance in all material respects with, and has been administered and operated in compliance with, its terms and all applicable statutes, orders, rules and regulations. Each Plan which is intended to be a "qualified plan" as described in Section 401(a) of the Code has been determined by the IRS to so qualify and such plan has received an opinion, advisory or determination letter stating that such plan is qualified, and there are no facts which might adversely affect such qualification.

(c) Neither the Company nor its ERISA Affiliates maintains or sponsors any Plan subject to Title IV of ERISA or any "multiemployer plan" (as such term is defined in Section 3(37) of ERISA), nor have they incurred any Liability, including withdrawal Liability, with respect to any such Plan.

(d) The Company and each ERISA Affiliate has made or will accrue prior to the Closing Date all payments and contributions (including insurance premiums) due and payable as of the Closing Date to each Plan as required to be made under the terms of such Plan.

(e) With respect to all Plans and related trusts, there are no "prohibited transactions," as that term is defined in Section 406 of ERISA or Section 4975 of the Code, that have occurred which could subject any Plan, related trust or party dealing with any such Plan or related trust to any tax or penalty on prohibited transactions imposed by Section 502 of ERISA or Sections 4975 through 4980 of the Code.

(f) There are no actions, suits, arbitrations or claims (other than routine claims for benefits by employees of the Company or any ERISA Affiliate, beneficiaries or dependents of such employees arising in the normal course of operation of a Plan) pending, or to the Knowledge of the Company, threatened, with respect to any Plan or any fiduciary or sponsor of a Plan with respect to their duties under such Plan or the assets of any trust under any such Plan.

(g) The Company does not have any obligations under any Plan to provide post-retirement or post employment benefits (including disability, health, and life, or death benefits) to any employee or any former employee of the Company other than as required by COBRA or applicable state Law.

(h) Neither the negotiation or execution of this Agreement, nor the consummation of the transactions contemplated by this Agreement will, either alone or in combination with any other event, (i) entitle any current or former employee or officer of the Company or any ERISA Affiliate to severance pay, unemployment compensation, golden parachute, bonus or any other payment, except as expressly provided in this Agreement, or (ii) increase or otherwise enhance any benefits otherwise payable by the

Company or any of its Subsidiaries, (iii) accelerate the time of payment or vesting (other than as required under Section 411(d)(2) of the Code), or increase the amount of compensation due any such employee or officer or (iv) result in forgiveness in whole or in part of any outstanding loans made by the Company or any of its Subsidiaries to any Person. Section 4.15(h) of the Disclosure Schedule contains a complete and accurate list of all Change in Control Payments which will or may become payable as a result of the Company entering into this Agreement or the consummation of any of the transactions contemplated hereby.

(i) Each Plan maintained or contributed to by the Company under the Law or applicable custom or rule of the relevant jurisdiction outside of the U.S. and each Company Employee Plan or Employee Agreement that has been adopted, contributed to, required to be contributed to, or maintained by the Company, any of its Subsidiaries or any ERISA Affiliate, whether formally or informally, or with respect to which the Company, any of its Subsidiaries or any ERISA Affiliate shall or may have any liability, for the benefit of Employees and/or former Employees who perform services outside the United States (each such plan, including the Israeli Benefit Plan, a "Foreign Plan") is listed in Section 4.15(i) of the Disclosure Schedule. With respect to each Foreign Plan, (i) such Foreign Plan is in compliance in all material respects with the provisions of the Law of each jurisdiction in which such Foreign Plan is maintained, to the extent that those Law are applicable to such Foreign Plan, (ii) all contributions to, and payments from, such Foreign Plan, which may have been required to be made in accordance with the terms of such Foreign Plan (except those who are in the normal operation of such Foreign Plan), and, when applicable, the Law of the jurisdiction in which such Foreign Plan is maintained, have been timely made or shall be made by the Closing Date, and all such contributions to such Foreign Plan, and all payments under such Foreign Plan, for any period ending before the Closing Date that are not yet, but will be, required to be made, are reflected as an accrued liability on the Balance Sheet, (iii) the Company, any of its Subsidiaries and each ERISA Affiliate has materially complied with all applicable reporting and notice requirements, and such Foreign Plan has obtained from the Governmental Authority having jurisdiction with respect to such Foreign Plan any required determinations, if any, that such Foreign Plan is in compliance with the Law of the relevant jurisdiction if such determinations are required in order to give effect to such Foreign Plan, (iv) such Foreign Plan has been administered in all material respects at all times in accordance with its terms and applicable Law, (v) to the Knowledge of the Company, there are no pending investigations by any governmental body involving such Foreign Plan, and no pending claims (except for claims for benefits payable in the normal operation of such Foreign Plan), suits or proceedings against such Foreign Plan or asserting any rights or claims to benefits under such Foreign Plan, (vi) the consummation of the transactions contemplated by this Agreement will not by itself create or otherwise result in any Liability with respect to such Foreign Plan, and (vii) except as required by applicable Law, no condition exists that would prevent the Company from terminating or amending any Foreign Plan at any time for any reason in accordance with the terms of each such Foreign Plan without the payment of any fees, costs or expenses (other than the payment of benefits accrued on the Balance Sheet and any normal and reasonable expenses typically incurred in a termination event). The benefits available under all Foreign Plans in the aggregate do not provide materially greater benefits to employees of the Company participating in such plans than the benefits available under the Plans for employees of the Company in the U.S. No Foreign Plan has unfunded Liabilities that will not be offset by insurance or that are not fully accrued on the financial statements of the Company. Each Plan under Section 102 of the Israeli Tax Ordinance has been approved by the Israel Tax Authority.

(j) Section 4.15(j) of the Disclosure Schedule contains a complete and accurate list of all Employees, former Employees, Contractors, and/or former Contractors who executed an election under Section 83(b) of the Code as a result of the receipt of unvested securities or other property issued by the Company or any ERISA Affiliate.

(k) The Company does not have any material liability to any Israel Tax Authority or to any relevant fund with respect to any Israeli Benefit Plan (except for such liabilities which arise from Israeli Law). The Company has made adequate provisions with respect to the payment of any payment under any Israeli Benefit Plan, including severance pay provided under the Law, agreement or otherwise. The Company has provided to Buyer current, correct and complete copies of all material communications to or from the Israel Tax Authority or any other Governmental Authority relating to each Israeli Benefit Plan (including, without limitation, any filings made with the Israel Tax Authority with respect to each Israeli Benefit Plan and any notices of the Israel Tax Authority), if any.

(l) The Company is in compliance in all material respects with all applicable legal requirements and contracts relating to employment, employment practices, wages, bonuses, pension benefits and other compensation matters and terms and conditions of employment related to Israeli Employees and/or former Israeli Employees, including but not limited to The Prior Notice to the Employee Law, 2002, the Notice to Employee (Terms of Employment) Law, 2002, the Prevention of Sexual Harassment Law, 1998, and The Employment by Human Resource Contractors Law, 1996.

(m) Except as set forth in Schedule 4.15(m), each Person who performs or renders services to or for the Company or its Subsidiary has been, and is, properly classified by the Company and any of its Subsidiaries as an employee, contractor or consultant. Neither the Company nor any of its Subsidiaries has misclassified: (i) any Person as an independent contractor rather than as an employee, (ii) any employee leased from another employer or Contractor, (iii) any employee currently or formerly classified as exempt from overtime wages or (iv) any payment or benefit that may be reclassified as part of their determining salary for any purpose, including for calculating any social contributions.

4.16 Personnel.

(a) The Company and each of its Subsidiaries is in compliance in all material respects with all Laws respecting employment, discrimination in employment, fair employment practices, equal employment, terms and conditions of employment, meal and rest periods, leaves of absence, employee privacy, worker classification (including the proper classification of workers as independent contractors and consultants), wages (including overtime payments), pay-slips, compensation and hours of work, and occupational safety and health and employment practices, including the Immigration Reform and Control Act, and is not engaged in any unfair labor practice. Neither the Company nor any of its Subsidiaries has engaged any employee or Contractor whose engagement would require special licenses, visas or permits. The Company and each of its Subsidiaries has withheld all amounts required by Law or by agreement to be withheld from the wages, salaries, and any other payments and benefits to employees, and is not liable for any arrears of wages, compensation, contribution to funds, Taxes, penalties or other sums for failure to comply with any of the foregoing (other than routine payments to be made in the normal course of business and consistent with past practice and in accordance with applicable Law). The Company and each of its Subsidiaries has paid in full to all employees and Contractors all wages, salaries, commissions, bonuses, benefits and other compensation due to or on behalf of such employees, independent contractors and consultants. Neither the Company nor any of its Subsidiaries is liable for any payment to any trust or other fund or to any Governmental Authority, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the normal course of business and consistent with past practice). Except as set forth in Schedule 4.16(a) there are no material unwritten policies or customs that, by extension, could entitle employees of the Company or any Subsidiary to benefits in addition to those to which they are entitled pursuant to applicable Law (including unwritten customs concerning the payment of statutory severance pay when it is not legally required). Neither the Company nor any of its Subsidiaries has any obligations under COBRA (or similar Law) with respect to any

former employees or qualifying beneficiaries thereunder, except for obligations that are not material in amount. Neither the Company nor any of its Subsidiaries is a party to a conciliation agreement, consent decree or other agreement or order with any Governmental Authority, except for such conciliation agreement, consent decree or other agreement or order which are applicable to all employees in Israel. There are no controversies pending or, to the Knowledge of the Company, threatened, between the Company or any of its Subsidiaries and any of their respective employees or other service providers, which controversies have or have threatened to result in an action, arbitration, suit, proceeding, claim, arbitration or investigation before any Governmental Authority.

(b) Section 4.16(b) of the Disclosure Schedule sets forth a complete and accurate list of all severance Contracts, employment Contracts and Contracts providing for any Change in Control Payment to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound. All Employees and Contractors of the Company and any Subsidiary signed employment or services agreements (as applicable) and agreements concerning Intellectual Property, confidentiality and non-competition, and no Employee or Contractor is or was engaged without a written contract. The Company's and its Subsidiaries' obligations to provide statutory severance pay to its Israeli Employees pursuant to the Israeli Severance Pay Law, 5723 1963 are fully funded in accordance with Section 14 under the Severance Pay Law 5723-1963 ("Section 14 Arrangement") and it is and was implemented properly, from the commencement date of the employee's employment and on the basis of the employee salary that under the applicable Law serves as the basis to calculating severance pay and on the basis of the employee salary that under the applicable Law serves as the basis to calculating severance pay. Upon the termination of employment of Israeli Employees, the Company will not have to make any payment under the Severance Pay Law 5723-1963, except for release of the funds accumulated in accordance with Section 14. Except for the foregoing, neither the Company nor any of its Subsidiaries has any obligation to pay any amount or provide any benefit to any former employee or Contractor, other than obligations (i) for which the Company has established a reserve for such amount on the Balance Sheet and (ii) pursuant to Contracts entered into after the date of the Balance Sheet and disclosed on Section 4.16(b) of the Disclosure Schedule.

(c) Neither the Company nor any of its Subsidiaries is a member of any employers' association and/or a party to or bound by any collective bargaining agreement or other labor union Contract (including any Contract or agreement with any works council, trade union, or other labor-relations entity) with respect to any employee or Contractor, except for such extension orders applicable to all employees in Israel or to the pension extension order applicable to the industry field in Israel, and no such collective bargaining agreement or other union Contract is being negotiated by the Company or any of its Subsidiaries. There is no pending demand for recognition or any other request or demand from a labor organization for representative status with respect to any employee or other service provider of the Company or any of its Subsidiaries. To the Knowledge of the Company, there are no current activities or proceedings of any labor union to organize the employees of the Company or any of its Subsidiaries. There is no labor dispute, strike or work stoppage against the Company or any of its Subsidiaries pending or, to the Knowledge of the Company, threatened which may interfere with the respective business activities of the Company or any of its Subsidiaries. The consummation of the transactions contemplated by this Agreement will not entitle any Person (including any works council, trade union or other labor-relations entity) to any payments under any Law or require the Company or any Company Shareholder to consult with, provide notice to, or obtain the consent or opinion of, any union, works council, or similar labor relations entity. Neither the Company nor any of its Subsidiaries, nor to the Knowledge of the Company, any of their respective representatives or employees, has committed any material unfair labor practice in connection with the operation of the respective businesses of the Company or any of its Subsidiaries, and there is no charge or complaint against the Company or any of its Subsidiaries by the National Labor Relations Board or any comparable Governmental Authority

pending or to the Knowledge of the Company, threatened. Section 4.16(c) of the Disclosure Schedule sets forth a true and complete list of all current Employees of the Company and any of its Subsidiaries, and includes employee's name, position, work location, actual scope of employment (e.g., full- or part-time), overtime classification (e.g., exempt or non-exempt), date of commencement of employment, prior notice entitlement, salary and any other compensation or benefit payable, maintained or contributed to or with respect to which any potential liability is borne by the Company and any of its Subsidiaries (whether now or in the future) to each of the employees and including but not limited to the following entitlements: bonus (including type of bonus, calculation method and amounts received in 2011, 2012 and 2013), commissions (including calculation method and amounts received in 2011, 2012 and 2013), overtime payment, vacation entitlement and accrued vacation, travel entitlement (e.g., travel pay, car, leased car arrangement and car maintenance payments), sick leave entitlement and accrual, shares and any other incentive payments, recuperation pay entitlement and accrual, pension arrangement and/or any other provident fund (including managers' insurance and education fund), their respective contribution rates and the salary basis for such contributions, whether such employee is subject to Section 14 Arrangement (and, to the extent such employee is subject to the Section 14 Arrangement, an indication of whether such arrangement has been applied to such person from the commencement date of his employment or otherwise and whether the Section 14 Arrangement applies on the basis of his entire salary), last compensation increase to date including the amount thereof, and whether the employee is on leave (and if so, the category of leave, the date on which such leave commenced and the date of expected return to work). No employee of the Company and any of its Subsidiaries is entitled (whether by virtue of any Law, Contract or otherwise) to any benefits, entitlement or compensation that is not listed in Section 4.16(c) of the Disclosure Schedule. Neither the Company nor any of its Subsidiaries has made any promises or commitments to any of its employees, whether in writing or not, with respect to any future changes or additions to their compensation or benefits, as listed in Section 4.16(c) of the Disclosure Schedule. Other than as listed in Section 4.16(c) of the Disclosure Schedule, there are no other employees employed or expected to be employed by the Company or any of its Subsidiaries. To the Knowledge of the Company, no employees or Contractors are in violation of any term of any employment, consulting or service contract, invention assignment agreement, patent disclosure agreement, non-competition agreement, non-solicitation agreement, or any restrictive covenant to a former employer relating to the right of any such employee, consultant or service provider to be employed or engaged by the Company.

(d) Section 4.16(d)(i) of the Disclosure Schedule sets forth a complete and accurate list of the names, positions and rates of compensation of all current officers, directors and employees of the Company and each of its Subsidiaries, showing each such person's name, position, place of employment, date of hire, annual remuneration (including commission and bonus opportunity), status as exempt/non-exempt and fringe benefits for the current fiscal year. The Company has made available to Parent the additional following information for each of its international employees: city/country of employment, citizenship, date of hire, manager's name and work location, whether the employee was recruited from a previous employer and the number of days, if any, that such employee has worked in the United States. Section 4.16(d)(ii) of the Disclosure Schedules sets forth a complete and accurate list of all of the Contractors to the Company, showing each such Person's name, location, entity to which services are being provided, date services began, rate of compensation and brief description of services provided.

(e) Section 4.16(e) of the Disclosure Schedule sets forth a complete and accurate list of all of the Company's and its Subsidiaries' current Contractors, as applicable, and for each: the name, engaging entity, location of services, the initial date of the engagement, a description of the remuneration arrangements applicable to each, the specific entity for which they provide services, and the effective date of any such termination. Except as set forth on Section 4.16(e) of the Disclosure Schedule, all Contractors can be terminated on notice of thirty (30) days or less to the Contractor. The Company has made available

to Parent and Buyer a complete and accurate list of all its Contractors since the Company's formation and for each the initial hire date or date of engagement, a description of the remuneration arrangements applicable for each, a brief description of the services provided, the specific entity for whom they provide services, and whether the engagement has been terminated by either party, including the effective date of such termination. All contractors have received all their rights to which they are and were entitled to according to any applicable law or Contract. Neither the Company nor any of its Subsidiaries engages any personnel through manpower agencies. The Company's engagements with Contractors that the Israeli Law for Strengthening the Enforcement of Labor Laws 5771 2011, is applied to them are in full compliance with the law.

(f) The Company and each of its Subsidiaries is in compliance in all material respects with the Worker Adjustment Retraining Notification Act of 1988, as amended ("WARN Act"), the Israeli Advance Notice for Dismissal and Resignation Law, 5761-2001, or any similar state or local Law. Since January 1, 2012, (i) neither the Company nor any of its Subsidiaries has effectuated a "plant closing" (as defined in the WARN Act) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of its business, (ii) there has not occurred a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility of the Company or any of its Subsidiaries, and (iii) neither the Company nor any of its Subsidiaries has been affected by any transaction or engaged in layoffs or employment terminations sufficient in number, including as aggregated, to trigger application of any similar state, local or foreign Law or regulation. Neither the Company nor any of its Subsidiaries has caused any of its respective employees to suffer an "employment loss" (as defined in the WARN Act) during the 90 day period prior to the Closing Date. No termination prior to the Closing would trigger any notice or other obligations under the WARN Act or similar state, local or foreign Law.

(g) Solely with respect to employees who reside or work in Israel or whose employment is otherwise subject to the Law of the State of Israel ("Israeli Employees"), and without derogating from the application of other sub-sections of this Section 4.16 the Company does not have and is not subject to, and no Israeli Employee of the Company benefits from, any extension order (*tzavei harchava*) except for extension orders generally applicable to all employers in Israel. Except as set forth in Section 4.16(g) of the Disclosure Schedule, there is no Contract between the Company and any of its Israeli Employees or directors that cannot be terminated by the Company upon less than one month notice without giving rise to a claim for damages or compensation. Without derogating from any of the above representations, the Company's liability towards its Israeli Employees regarding severance pay, accrued vacation and contributions to all Company Benefit Plans are fully funded or if not required by any source to be funded are accrued on the Company's financial statements as of the date of such financial statement. The Company has no Knowledge of any circumstance that could give rise to any valid claim by a current or former Israeli Employee for unlawful employment termination or compensation on termination of employment (beyond the statutory severance pay and the redemption of any accrued entitlements to which employees are entitled); all amounts that the Company is legally or contractually required either (i) to deduct from its Israeli Employees' salaries and/or to transfer to such Israeli Employees' pension or provident, life insurance, incapacity insurance, continuing education fund or other similar funds or (ii) to withhold from their Israeli Employees' salaries and benefits and to pay to any Governmental Authority as required by the Israeli Tax Ordinance and Israeli National Insurance Law or otherwise have, in each case, been duly deducted, transferred, withheld and paid (other than routine payments, deductions or withholdings to be timely made in the normal course of business and consistent with past practice), and the Company does not have any materially outstanding obligation to make any such deduction, transfer, withholding or payment. As of the date hereof, the Company or any its Subsidiaries has not engaged any Israeli Employees whose employment would require special licenses or permits by the Company or its Subsidiaries, and there are no unwritten Company policies or customs which, by extension, could entitle Israeli Employees to benefits in addition to what they are entitled by applicable Law. There are no pending, or, to the Knowledge of the Company, threatened against the Company or any current or

former Company employee (based on conduct relating to their employment by the Company) any charges or claims before any Governmental Authority for any unlawful employment practices.

(h) Solely with respect to Israeli Employees, and without derogating from the application of other sub-sections of this Section 4.16 on Israeli Employees as well, the Company is not and has never been a party to any collective bargaining contract, collective labor Contract or other contract or arrangement with a labor union, trade union or other organization or body involving any of its Israeli Employees, or is otherwise required (under any legal requirement, under any contract or otherwise) to provide benefits or working conditions beyond the minimum benefits and working conditions required by applicable Laws, or pursuant to extension orders generally applicable to all employers in Israel. The Company has not recognized or received a demand for recognition from any collective bargaining representative with respect to any of its Israeli Employees and to the Knowledge of the Company there are no labor organizations purporting to represent or seeking to represent any Israeli Employees. The Company is not and was never a member of any employers' association or organization, and no employers' association or organization has made any demand for payment of any kind from the Company. The Company does not have Knowledge of any activities or proceedings of any labor union to organize any Israeli Employees. The Company is not engaged, and has never been engaged, in any unfair labor practice of any nature. The Company has not had any strike, slowdown, work stoppage, lockout, job action or threat thereof, or question concerning representation, by or with respect to any of the Israeli Employees. The Company has no Knowledge of any union organizing activity or any similar activity or dispute now or in the future. The Company does not have and is not subject to, and no Israeli Employee of the Company benefits from, any extension order (*tzavei harchava*) except for extension orders generally applicable to all employers in Israel. All of the Israeli Employees are subject to the termination notice provisions included in employment Contracts or applicable Laws. Except as set forth in Schedule 4.16(h) the Company is in compliance in all material respects with all applicable Laws and Contracts relating to employment, employment practices, wages, bonuses and other compensation matters and terms and conditions of employment related to its Israeli Employees, including but not limited to the Israeli Prior Notice to the Employee Law 2002, the Israeli Notice to Employee (Terms of Employment) Law 2002, the Israeli Prevention of Sexual Harassment Law (5758-1998), and the Israeli Employment by Human Resource Contractors Law 1996, the Israeli Notification to an Employee (Terms of Employment) Law, 5762-2002, Hours of Work and Rest Law, 5711-1951, the Wage Protection Law 5718-1958 and Employment by Human Resources Contractors Law, 5756-1996, the Law for Strengthening the Enforcement of Labor Laws, 5771- 2011. There are no pending, or, to the Knowledge of the Company, threatened against the Company or any current or former Company employee (based on conduct relating to their employment by the Company) any charges or claims before any Governmental Authority for any unlawful employment practices.

4.17 Insurance. Section 4.17 of the Disclosure Schedule contains a complete and accurate list as of the date hereof of all insurance policies maintained by or on behalf of the Company and each of its Subsidiaries. Such list includes the type of policy, form of coverage, policy number and insurer, coverage dates, named insured, and limit of liability. Complete and accurate copies of each listed policy have been made available to Parent. Such policies are in full force and effect, and the Company and each of its Subsidiaries have complied in all material respects with the provisions of such policies. Excluding insurance policies that have expired, been terminated by the Company and been replaced in the ordinary course, no insurance policy has been cancelled within the last two years and, to the Knowledge of the Company, (a) there is no threatened termination of, or threatened premium increase with respect to, any of such policies other than increases in connection with the Company's annual renewal process and (b) there is no material claim pending regarding the Company or each of its Subsidiaries under any of such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies.

4.18 Litigation. There is no (a) Action pending, or to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries, or any of the officers, managers, directors or employees (in their capacities as such or relating to their employment, services or relationship with the Company) of the Company or any of its Subsidiaries, any of the assets or properties of the Company or any of its Subsidiaries, or the Acquisition or the other transactions contemplated hereby, (b) governmental inquiry or investigation pending or, to the Knowledge of the Company, threatened against the Company, any of its Subsidiaries, or any of their respective assets or properties (including any inquiry as to the qualification of the Company or any of its Subsidiaries to hold or receive any license or Permit) or (c) to the Knowledge of the Company, Actions pending or threatened against any Related Party (in their capacities as such) in connection with the business of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries is in default with respect to any order, writ, injunction or decree of any Governmental Authority known to or served upon the Company or any of its Subsidiaries. There is no Action by the Company or any of its Subsidiaries which is pending, threatened or contemplated against any other Person.

4.19 Permits; Compliance with Laws.

(a) All Permits (i) pursuant to which the Company or any of its Subsidiaries currently operates or holds any interest in their respective assets or properties, or (ii) which are required for the operation of the business of the Company or any of its Subsidiaries or the holding of any such interest and the lack of which is material to the operation of the business of the Company or any of its Subsidiaries , has been issued or granted to the Company or such Subsidiary, and all such Permits are in full force and effect and constitute all Permits required to permit the Company or such Subsidiary to operate or conduct its business as it is currently conducted and hold any interest in its properties or assets.

(b) The Company and each of its Subsidiaries is in compliance in all material respects with, and has complied in all material respects with, and as of the date of this Agreement has not received any written notices of violation with respect to, any Law with respect to the conduct of its business, or the ownership or operation of its business (including the keeping of all required registers and timely filing or delivery of all required documents under the provisions of any applicable Law). To the Knowledge of the Company, neither the Company nor any of its Subsidiaries is under investigation with respect to, has been threatened to be charged with, nor has been given notice of, any violation of any Law. To the Knowledge of the Company, there are no facts or circumstances that could form the basis for any such violation.

(c) The Company and each of its Subsidiaries has at all times conducted its export and import transactions in accordance, in all material respects, with all applicable Export and Import Control Laws. Without limiting the foregoing:

(i) the Company and each of its Subsidiaries has obtained and is in compliance, in all material respects, with the terms of all applicable Export and Import Approvals;

(ii) there are no pending or, to the Company’s Knowledge, threatened claims, charges, investigations, violations, settlements, civil or criminal enforcement actions, lawsuits, or other court actions against the Company or any Subsidiary with respect to such Export and Import Approvals;

(iii) there are no actions, conditions or circumstances pertaining to the Company’s or any Subsidiary’s export or import transactions that would reasonably be expected to give rise to any future claims, charges, investigations, violations, settlements, civil or criminal actions, lawsuits, or other court actions under the Export and Import Control Laws;

(iv) no approval from a Governmental Authority for the transfer of Export and Import Approvals to Buyer are required or cannot be obtained reasonably expeditiously without material cost;

(v) the Company has established and maintains a compliance program and reasonable internal controls and procedures appropriate to the requirements of Export and Import Control Laws; and

(vi) Section 4.19(c) of the Disclosure Schedule sets forth a complete and accurate list of all export control classifications, Harmonized Tariff Section Codes, and Section B Codes applicable to the Company's Products and the Company Intellectual Property.

(d) Neither the Company nor any of its Subsidiaries (including any of their officers, directors, employees and, to the Knowledge of the Company, any of their agents, distributors, or other Persons associated with or acting on their behalf) has, directly or indirectly, used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, made any unlawful payment to foreign or domestic government officials or employees or made any bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment, or taken any action which would cause it to be in violation of taken any action which would cause it to be in violation of any Anti-Corruption and Anti-Bribery Laws. There are no pending or, to the Company's Knowledge, threatened claims, charges, investigations, violations, settlements, civil or criminal enforcement actions, lawsuits, or other court actions against the Company with respect to any Anti-Corruption and Anti-Bribery Laws. There are no actions, conditions or circumstances pertaining to the Company's activities that would reasonably be expected to give rise to any future claims, charges, investigations, violations, settlements, civil or criminal actions, lawsuits, or other court actions under any Anti-Corruption and Anti-Bribery Laws. The Company has established and maintains a compliance program and reasonable internal controls and procedures appropriate to the requirements of Anti-Corruption and Anti-Bribery Laws.

(e) The Company and its Subsidiaries do not meet the criteria set forth in: (i) Section 17(a) of the Israeli Restrictive Trade Practices Law, 1988; or (ii) Section 9 of the Israeli Restrictive Trade Practices Regulations (Registration, Publication and Reporting of Transactions), 2004, promulgated thereunder, and assuming that (A) Buyer and its Subsidiaries do not meet the criteria set forth in Section 17(a) of the Israeli Restrictive Trade Practices Law, 1988, or Section 9 of the Israeli Restrictive Trade Practices Regulations (Registration, Publication and Reporting of Transactions), 2004, promulgated thereunder, and (B) the Acquisition and the other transactions contemplated by this Agreement are not subject to the criteria set forth in Section 17 of the Israeli Restrictive Trade Practices Law, 1988, by virtue of the market share of Buyer, the Acquisition does not require a pre-merger filing with the Israeli Commissioner of Restrictive Trade Practices and no waiting period or, with respect to the Company or any of its Subsidiaries, any other action or Consent is required under the Israeli Restrictive Trade Practices Law, 1988.

4.20 Environmental Matters. The Company and each of its Subsidiaries is and has been in compliance with all Environmental Laws in all material respects. Neither the Company nor any of its Subsidiaries has received any written notice, or, to the Knowledge of the Company, any other notice of any noncompliance of its past or present operations with Environmental Laws. No written notices (or, to the Knowledge of the Company, any other notices), administrative actions or suits are pending or, to the Knowledge of the Company, threatened relating to an actual or alleged violation of any applicable Environmental Law by the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has (i) disposed of, emitted, discharged, handled, stored, transported, used or released any Hazardous Substances; (ii) distributed, sold or otherwise placed on the market Hazardous Substances or any

product containing Hazardous Substances; (iii) arranged for the disposal, discharge, storage or release of any Hazardous Substances; or (iv) exposed any employee or other individual to any Hazardous Substances so as to give rise to any liability or corrective or remedial obligation under any Environmental Law. Except in compliance with Environmental Laws and in a manner that would not subject the Company or any of its Subsidiaries to any material liability, to the Knowledge of the Company, no Hazardous Substances are present in, on or under any property, including the land and the improvements, ground water and surface water thereof, that the Company or its Subsidiaries has at any time ever owned, operated, occupied or leased. Neither the Company nor any of its Subsidiaries have, nor are they required to have, any Permit, for their Hazardous Substance Activities. To the Knowledge of the Company, there are no underground storage tanks located on, asbestos containing materials located at, or any polychlorinated biphenyls (“PCBs”) or PCB-containing equipment used or stored on any site owned, leased or otherwise used by the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has entered into any agreement that may require it to guarantee, reimburse, pledge, defend, hold harmless or indemnify any other party with respect to liabilities arising out of any Environmental Law or the Hazardous Substance Activities of the Company, any of its Subsidiaries or any other Person. The Company has made available to Parent and Buyer complete and accurate copies of all material environmental records, reports, notifications, permits, correspondence, engineering studies and environmental studies or assessments in the possession or control of the Company, any of its Subsidiaries or any of its representatives or advisors.

4.21 Banking Relationships. Section 4.21 of the Disclosure Schedule sets forth a complete and accurate list of the name and location of each bank, brokerage or investment firm, savings and loan or similar financial institution in which the Company or any of its Subsidiaries has an account or a safe deposit box or other arrangement, the account balances as of the most recent account statements, and the names of all Persons authorized to draw on or who have access to such account or safe deposit box or such other arrangement. On or prior to the Closing Date, the Company will have provided Parent with the account numbers and on-line access to all such accounts. Except as set forth in Section 4.21 of the Disclosure Schedule, there are no outstanding powers of attorney executed by or on behalf of the Company or any of its Subsidiaries in connection with the accounts listed in Section 4.21 of the Disclosure Schedule.

4.22 Books and Records. The Company has made available to Parent, complete and correct copies of (a) all documents that have been requested by or on behalf of Parent and Buyer, (b) all documents identified on the Disclosure Schedule, (b) the minute books containing records of all proceedings, consents, actions and meetings of the Board of Directors of the Company and its Subsidiaries, committees thereof and shareholders of the Company and each of its Subsidiaries, (d) the Company’s share register, journal and other records reflecting all stock issuances and transfers and all stock option and warrant grants and agreements of the Company and each of its Subsidiaries, and (e) Permits, orders and consents issued by any Governmental Authority with respect to the Company and each of its Subsidiaries, or any securities of the Company or any of its Subsidiaries, and all applications for such Permits, orders and consents. The minute books of the Company and each of its Subsidiaries made available to Parent and Buyer contain a complete and accurate summary of all meetings of directors and shareholders or actions by written consent since the time of incorporation of the Company or the respective Subsidiary through the date of this Agreement, and reflect all transactions referred to in such minutes accurately in all material respects. The books, records and accounts of the Company and each of its Subsidiaries (i) are complete and accurate in all material respects, (ii) have been maintained in accordance with reasonable business practices on a basis consistent with prior years, (iii) are stated in reasonable detail and accurately and fairly reflect the transactions and dispositions of the assets and properties of the Company and each of its Subsidiaries, and (iv) accurately and fairly reflect the basis for the Financial Statements.

4.23 Certain Relationships and Related Transactions. None of the officers or directors of the Company or any of its Subsidiaries and, to the Knowledge of the Company, none of the employees or Company Securityholders, nor any immediate family member of an officer, director, employee or Company Securityholder, has any direct or indirect ownership, participation, royalty or other interest in, or is an officer, director, employee of or consultant or contractor for any firm, partnership, entity or corporation that competes with, or does business with, or has any contractual arrangement with, the Company or any of its Subsidiaries (except with respect to any interest in less than 5% of the stock of any corporation whose stock is publicly traded). None of such officers, directors, employees or Company Securityholders or immediate family members is a party to or, to the Knowledge of the Company, otherwise directly or indirectly interested in, any Contract to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries or any of their respective assets or properties may be bound or affected, other than normal employment, compensation and benefit arrangements for services as an officer, director or employee thereof. To the Knowledge of the Company, none of such officers, directors, employees, Company Securityholders or immediate family members has any interest in any property, real or personal, tangible or intangible (including any Intellectual Property or Intellectual Property Rights) that is used in, or that relates to, the business of the Company or any of its Subsidiaries.

4.24 Brokers and Finders. All negotiations relating to this Agreement and the Escrow Agreement and the transactions contemplated hereby and thereby have been carried on without the intervention of any Person acting on behalf of the Company or any of its affiliates in such manner as to give rise to any claim against the Company, Parent or Buyer or any of their Subsidiaries for any investment banker, brokerage or finder's commission, fee or similar compensation.

4.25 No "Bad Actor" Disqualification. The Company has exercised reasonable care, in accordance with SEC rules and guidance, to determine whether any Covered Person (as defined below) is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) through (viii) under the Securities Act ("Disqualification Events"). To the Company's knowledge, no Covered Person is subject to a Disqualification Event, except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) under the Securities Act. The Company has complied, to the extent applicable, with any disclosure obligations under Rule 506(e) under the Securities Act. "Covered Persons" are those persons specified in Rule 506(d)(1) under the Securities Act, including the Company; any predecessor or affiliate of the Company; any director, executive officer, other officer participating in the offering, general partner or managing member of the Company; any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power; any promoter (as defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of the sale of Company Shares; and any Person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of the Company Shares (a "Solicitor"), any general partner or managing member of any Solicitor, and any director, executive officer or other officer participating in the offering of any Solicitor or general partner or managing member of any Solicitor.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF THE COMPANY SHAREHOLDERS

Subject to any exceptions that are expressly set forth in the Disclosure Schedule (it being understood and hereby agreed that (i) the information set forth in the Disclosure Schedule shall be disclosed under separate section and subsection references that correspond to the sections and subsections of this Article 5

to which such information relates, and (ii) the information set forth in each section and subsection of the Disclosure Schedule shall qualify (A) the representations and warranties set forth in the corresponding section or subsections of this Article 5, and (B) any other representations and warranties set forth in this Article 5 if and solely to the extent that it is readily apparent on the face of such disclosure (without reference to the documents referenced therein) that it applies to such other representations and warranties), each Company Shareholder, severally and not jointly, hereby represents and warrants to Parent and Buyer with respect to itself as of the date hereof and as of the Closing Date as if such representations and warranties were made at and as of the Closing Date (except for such representations and warranties that are made only as of a specific date, which shall be made only as of such date), as follows:

5.1 Organization and Good Standing. With respect to each Company Shareholder that is not an individual, such Company Shareholder is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization.

5.2 Authority and Enforceability.

(a) Such Company Shareholder has all necessary power and authority to execute and deliver this Agreement, the Escrow Agreement and each certificate and other instrument required to be executed and delivered by such Company Shareholder pursuant hereto and to perform his, her or its obligations hereunder and thereunder and to consummate the Acquisition and the other transactions contemplated hereby and thereby. If applicable, the execution, delivery and performance by such Company Shareholder of this Agreement, the Escrow Agreement and each certificate and other instrument required to be executed and delivered by such Company Shareholder pursuant hereto and the consummation by such Company Shareholder of the Acquisition and the other transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of such Company Shareholder.

(b) Each of this Agreement, the Escrow Agreement and each certificate and other instrument required to be executed and delivered by such Company Shareholder pursuant hereto has been (or will be) duly and validly executed and delivered by such Company Shareholder and, assuming the due authorization, execution and delivery by Parent and Buyer, the Company, the other Company Shareholders and the Representative, constitutes (or will constitute) a legal, valid and binding obligation of such Company Shareholder, enforceable against such Company Shareholder in accordance with its terms, subject to bankruptcy, insolvency, reorganization or similar laws of general application affecting the rights and remedies of creditors, and to general equity principles.

5.3 Governmental Filings and Consents. No Consent of any Governmental Authority is required on the part of such Company Shareholder in connection with the execution and delivery of this Agreement or the Escrow Agreement or the consummation of the Acquisition or any other transactions contemplated hereby or thereby, except for such consents, authorizations, filings, approvals, notices and registrations which, if not obtained or made, would not prevent, materially alter or materially delay the consummation of the Acquisition or any of the other transactions contemplated by this Agreement.

5.4 No Conflicts. The execution and delivery of this Agreement, the Escrow Agreement and each certificate and other instrument required to be executed and delivered by such Company Shareholder pursuant hereto, the compliance with the provisions of this Agreement, the Escrow Agreement and each certificate or other instrument required to be executed and delivered by such Company Shareholder pursuant hereto and the consummation of the Acquisition and the other transactions contemplated hereby and thereby, will not (a) if applicable, conflict with or violate the certificate of incorporation, bylaws or other equivalent

organizational documents of such Company Shareholder, or (b) violate any Law applicable to such Company Shareholder or any of his, her or its properties or assets.

5.5 Title to Securities. Such Company Shareholder (a) holds and has good and valid title to the Company Securities to be purchased by Parent or Buyer from such Company Shareholder in the Acquisition and has all requisite power and authority to own, lease and operate properties and carry on its business and the certificates (if any) representing such securities, free and clear of any Liens and, in the case of any Company Shareholder that is a trust, any claims under such trust by any beneficiary thereunder or any other Person, and (b) except with respect to Unvested Company Shares, for which the beneficial owner is as set forth on Exhibit A is the record owner thereof. Assuming Buyer has the requisite power and authority to be the lawful owner of such Company Securities, upon delivery to Buyer or the Paying Agent prior to, or at, the Closing of certificates representing such Company Securities, duly endorsed by such Company Shareholder for transfer to Buyer, and upon the Paying Agent's, Escrow Agent's and Representative's receipt on behalf of such Company Shareholder of the amount payable to such Company Shareholder pursuant to this Agreement prior to, or at the time of, the Closing pursuant to Section 2.1(b) and Section 2.4, and the occurrence of the Closing, good and valid title to such Company Securities, as applicable, will pass to Buyer, free and clear of any Liens, and such Company Securities are not subject to any voting trust agreement or other Contract relating to the ownership, voting, dividend rights or disposition of such Company Securities that will not be waived or extinguished by the Closing.

5.6 Brokers; Fees and Expenses. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission, or the reimbursement of expenses, in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of such Company Shareholder.

5.7 Litigation. There is no Action pending or, to the knowledge of such Company Shareholder, threatened against such Company Shareholder or to which such Company Shareholder is otherwise a party relating to this Agreement or any Related Agreement, or the transactions contemplated hereby or thereby.

5.8 Full Disclosure. Such Company Shareholder has received and reviewed a copy of this Agreement and the documents contemplated hereby and such other documents and information as it has deemed appropriate to make its own analysis and decision to enter into this Agreement and to sell the Company Securities owned by such Company Shareholder. Such Company Shareholder has such experience in business and financial matters to enable such Company Shareholder to understand and evaluate this Agreement and form an investment decision with respect to the Company Securities owned by such Company Shareholder. Such Company Shareholder understands and acknowledges that Parent and Buyer are entering into this Agreement in reliance upon such Company Shareholder's execution and delivery of this Agreement and agreement to be bound hereby, including with respect to such Company Shareholder's indemnification obligations hereunder.

5.9 Allocation of Consideration. Such Company Shareholder expressly agrees to its portion of the allocation of the Total Consideration provided for herein (including as indicated in the Payment Spreadsheet).

ARTICLE 6
REPRESENTATIONS AND WARRANTIES
BY PARENT AND BUYER

Parent and Buyer, severally and jointly, hereby represent and warrant to the Company and the Indemnifying Parties, as of the date hereof and as of the Closing Date as if such representations and warranties

were made at and as of the Closing Date (except for such representations and warranties as are made only as of a specific date, which shall be made only as of such date), as follows:

6.1 Organization and Good Standing. Each of Parent and Buyer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. Each of Parent and Buyer is not in violation of any of the provisions of its certificate of incorporation, bylaws or other equivalent organization documents, except as would not have a material adverse effect on the ability of Parent and Buyer to consummate the transactions contemplated by this Agreement.

6.2 Authority and Enforceability.

(a) Parent and Buyer have all necessary corporate power and authority to execute and deliver this Agreement, the Related Agreements and each certificate and other instrument required to be executed and delivered by them pursuant hereto and to perform their obligations hereunder and thereunder and to consummate the Acquisition and the other transactions contemplated hereby and thereby. The execution, delivery and performance by Parent and Buyer of this Agreement, the Related Agreements and each certificate and other instrument required to be executed and delivered by Parent and Buyer pursuant hereto and the consummation by Parent and Buyer of the Acquisition and the other transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of Parent and Buyer. The Boards of Directors (or the appropriate committee thereof) of Parent and Buyer have determined that this Agreement, the Acquisition and the other transactions contemplated hereby are desirable and in the best interests of Parent and Buyer, as applicable, and their shareholders, respectively, have approved this Agreement, the Related Agreements and the other transactions contemplated hereby, and no other corporate proceedings on the part of Parent or Buyer are necessary to authorize this Agreement, the Related Agreements or any certificate or other instrument required to be executed and delivered by Parent or Buyer pursuant hereto or to consummate the Acquisition or any other transactions contemplated hereby or thereby. None of such actions have been amended, rescinded or modified.

(b) Each of this Agreement, the Related Agreements and each certificate and other instrument required to be executed and delivered by either Parent and Buyer pursuant hereto has been (or will be prior to the Closing) duly and validly executed and delivered by either Parent or Buyer, as applicable, and, assuming the due authorization, execution and delivery by the Company, the Company Shareholders and the Representative, constitutes a legal, valid and binding obligation of Parent and Buyer, enforceable against Parent and Buyer in accordance with its terms, subject to bankruptcy, insolvency, reorganization or similar laws of general application affecting the rights and remedies of creditors, and to general equity principles.

6.3 Governmental Filings and Consents. No Consent of any Governmental Authority is required on the part of Parent or Buyer in connection with the execution and delivery of this Agreement or the Related Agreements or the consummation of the Acquisition or any other transactions contemplated hereby or thereby, except for such consents, authorizations, filings, approvals, notices and registrations which, if not obtained or made, would not prevent, materially alter or materially delay the consummation of the Acquisition or any of the other transactions contemplated by this Agreement.

6.4 No Conflicts. The execution and delivery of this Agreement, the Related Agreements and each certificate and other instrument required to be executed and delivered by Parent or Buyer pursuant hereto, the compliance with the provisions of this Agreement, the Related Agreements and each certificate or other instrument required to be executed and delivered by Parent or Buyer pursuant hereto and the consummation of the Acquisition and the other transactions contemplated hereby and thereby, will not

(a) conflict with or violate the certificate of incorporation, articles of association, bylaws or other equivalent organization documents of Parent and Buyer or (b) violate any Law applicable to Parent or Buyer or any of their respective properties or assets.

6.5 Funds. On the Closing Date, Parent or Buyer will have sufficient funds to pay the aggregate Total Consideration payable in respect of the Company Securities in the Acquisition pursuant to this Agreement.

6.6 Litigation. There are no actions, suits, arbitrations, mediations, proceedings or claims pending or, to the knowledge of Parent and/or Buyer, threatened against Parent and/or Buyer that seek to restrain or enjoin the consummation of the Acquisition or the other transactions contemplated hereby.

6.7 Parent Common Stock. The shares of Parent Common Stock issuable or otherwise deliverable to the Company Securityholders hereunder as part of the Total Consideration, when delivered by Parent in accordance with this Agreement, will be duly issued, fully paid and non-assessable and issued in compliance with United States federal and state securities laws. Such Parent Common Stock shall be issued or otherwise delivered free and clear of any liens, and none of such Parent Common Stock shall have been issued in violation of or subject to any preemptive or similar rights, purchase option, call right or right of first refusal.

6.8 SEC Reports. Parent has filed all required registration statements, prospectuses, reports, schedules, forms, statements, and other documents (including exhibits and all other information incorporated by reference) required to be filed by it with the SEC since August 1, 2013. All such required registration statements, prospectuses, reports, schedules, forms, statements, and other documents (including those that Parent may file subsequent to the date of this Agreement until the Closing) are referred to herein as the "Parent SEC Reports." As of their respective dates, the Parent SEC Reports (a) were prepared in accordance and complied in all material respects with the requirements of the U.S. Securities Laws applicable to such Parent SEC Reports, and (b) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. None of Parent's subsidiaries is required to file any forms, reports or other documents with the SEC.

6.9 Acknowledgement of Receipt of Information. Parent and Buyer have had an opportunity to ask questions and receive answers and materials, and to discuss the business of the Company and its Subsidiaries and related matters, with certain key officers of the Company and its Subsidiaries regarding the transactions contemplated hereunder (the "Investigation"). Parent and Buyer hereby acknowledge and agree that other than the Company's representations and warranties set forth in Article 4 and the Company Shareholders' representations and warranties set forth in Article 5 hereof, none of the Company, Company Securityholders or any of their representatives make or have made any representation or warranty, express or implied, at Law or in equity, with respect to the business of the Company or any Subsidiary thereof nor with respect to the Company Shares. Nothing in this Section 6.9 (including any information provided to Parent or Buyer by the Company pursuant to the Investigation) shall derogate from the representations and warranties of the Company contained in Article 4 hereof or the representations and warranties of the Company Shareholders contained in Article 5, or from the ability of Buyer or Parent to rely on such representations and warranties or to seek indemnification for Losses in respect of such representations and warranties under Article 10.

ARTICLE 7

CONDUCT PRIOR TO THE CLOSING DATE

7.1 Conduct of Business of the Company. During the period from the date hereof and prior to the earlier of the Closing or the termination of this Agreement, except as expressly contemplated by this Agreement, as set forth in Section 7.1 of the Disclosure Schedule, as required by applicable Law, as otherwise contemplated by this Agreement or the Related Agreements or as Parent and Buyer shall otherwise consent (which consent shall not be unreasonably delayed), the Company shall (and shall cause its Subsidiaries to) operate its business in the usual, regular and ordinary course in substantially the same manner as heretofore conducted, pay its debts and Taxes when due, pay or perform its other obligations when due (subject to the right of Parent and Buyer to review and approve any Tax Returns in accordance with this Agreement), and, to the extent not inconsistent with such business, use Reasonable Best Efforts to preserve intact its present business organizations, keep available the services of its present officers and key employees and preserve its relationships with its customers, suppliers, distributors, resellers, licensors, licensees, and others having business dealings with it.

7.2 Forbearance by Company. During the period from the date hereof and prior to the earlier of the Closing or the termination of this Agreement, except as expressly required by this Agreement or the Related Agreements, as set forth in Section 7.2 of the Disclosure Schedule, as required under applicable Law, or as Parent and Buyer shall otherwise consent in writing (which consent shall not be unreasonably delayed), the Company shall not (and shall cause its Subsidiaries not to):

(a) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property) in respect of any Company Shares, or split, combine or reclassify any Company Shares, or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for Company Shares;

(b) repurchase, redeem or otherwise acquire, directly or indirectly, any Company Shares (or options, warrants or other rights exercisable therefor) other than pursuant to the terms of any Stock Restriction Agreement;

(c) issue, grant, deliver or sell any Company Shares or any securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any kind or character obligating it to issue, grant, deliver or sell any such shares or other convertible securities convertible into Company Shares, in each case, subject to the prior satisfaction of the condition in the proviso to this clause (c) other than the issuance of Company Ordinary Shares pursuant to the exercise of Company Options that are outstanding on the date hereof; *provided*, *however*, that prior to (and as a condition to) the Company issuing any Company Shares pursuant to the exception to this clause (c), the Company shall (i) first execute and deliver to Parent and Buyer this Agreement on as the proxy for such Person who is not a Company Shareholder providing that such Person shall be a Company Shareholder pursuant to this Agreement and (ii) use Reasonable Best Efforts to obtain and deliver to Parent and Buyer an executed counterpart to this Agreement from any Person who is not a Company Shareholder providing that such Person shall be a Company Shareholder pursuant to this Agreement);

(d) cause or permit any amendments to the Company Organizational Documents or other equivalent organizational documents;

(e) acquire or agree to acquire by merging or consolidating with, or by purchasing any assets or equity securities of, or by any other manner, any business or any corporation, partnership, association

or other business organization or division thereof, or otherwise acquire or agree to acquire any assets that are material, individually or in the aggregate, to the Company's businesses;

(f) other than in the ordinary course of business consistent with past practice, sell, lease, license or otherwise dispose of any of its properties or assets, including the sale of any accounts receivable of the Company or grant or otherwise create or consent to the creation of any easement, covenant, restriction, assessment or charge affecting any owned property or leased property or any part thereof;

(g) other than in the ordinary course of business consistent with past practice, convey, assign, sublease, license, exchange, mortgage, grant, subject to any Lien or otherwise transfer all or any portion of any owned property or leased property or any interest or rights therein;

(h) adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;

(i) pay any Indebtedness (other than (i) as expressly required by and in compliance with the required payment terms thereof and (ii) the payment of trade debt in the ordinary course of business) consistent with past practice, or incur any Indebtedness or guarantee any Indebtedness or issue or sell any debt securities or guarantee any debt securities or other obligations of any third parties;

(j) make any loans to any third party (other than loans or advances to employees for travel and business expenses in the ordinary course of business consistent with past practice) or purchase debt securities of a third party or amend the terms of any outstanding loan agreement;

(k) pay, discharge, satisfy or make any expenditure or enter into any commitment or transaction obligating the Company to make payments in an amount exceeding $25,000 individually or $200,000 in the aggregate (other than the payment of rent, payroll and interest obligations on Indebtedness of the Company or any of its Subsidiaries in the ordinary course of business and consistent with past practice, or payment of any obligations outstanding as of the date hereof and reflected on the Financial Statements);

(l) (i) sell, license or transfer to any Person any rights to any Company Intellectual Property or enter into any agreement with respect to any Company Intellectual Property with any Person or with respect to any Intellectual Property of any Person (other than nonexclusive licenses to Company Intellectual Property pursuant to Contracts for the sale or license of Company Products in the ordinary course of business substantially in the form of its standard customer Contract, the form of which has been made available to Parent), (ii) other than in the ordinary course of business consistent with past practice, buy or license any Intellectual Property or enter into any agreement with respect to the Intellectual Property of any Person, (iii) enter into any agreement with respect to the development of any Intellectual Property with a third party, or (iv) other than in the ordinary course of business consistent with past practice, change existing pricing or royalties charged by the Company to, or any other financial terms of any Contract or other arrangement with, any of its customers, distributors, resellers, or licensees, or the pricing or royalties set or charged by Persons who have licensed Intellectual Property to the Company;

(m) terminate, enter into or materially amend, waive, or modify the terms of any Material Contract or any Contract that would have been a Material Contract had such Contract been entered into prior to the date hereof;

(n) commence or settle any litigation, other than to enforce its rights under this Agreement;

(o) revalue any of its assets (whether tangible or intangible), including writing off notes or accounts receivable, settle, discount or compromise any accounts receivable, or reverse any reserves other than in the ordinary course of business and consistent with past practice;

(p) make or change any Tax election, adopt or change any Tax accounting method, enter into any closing agreement in respect of Taxes, settle any claim or assessment relating to Taxes, consent to any extension or waiver of the limitation period applicable to any claim or assessment relating to Taxes, or file or amend any income or other material Tax Return unless such Tax Return or amended Tax Return has been provided to Buyer for review within a reasonable period prior to the due date for filing and Buyer has consented to such filing, which consent shall not be unreasonably withheld;

(q) change its accounting policies or procedures, including with respect to reserves for doubtful accounts, or payment or collection policies or practices;

(r) engage in any purchase or sale of any interest in real property, grant any security interest in any real property, agree to lease, sublease, license or otherwise occupy any real property, or alter, amend, modify, violate or terminate any of the terms of any Real Property Lease;

(s) (i) hire, offer to hire or terminate any employees, or encourage any employees to resign from the Company or any of its Subsidiaries, in each case other than as contemplated by this Agreement or as otherwise consented to by Parent or Buyer (which consent will not be unreasonably withheld); (ii) grant any severance or termination pay (in cash or otherwise) to any Employee or Contractor, including any officer; (iii) adopt or amend any Company Employee Plan, enter into any Employee Agreement, pay or agree to pay any special bonus or special remuneration to any director or Employee or Contractor, or increase or agree to increase the salaries, wage rates, or other compensation or benefits of any Employee or Contractor, in each case other than as contemplated by this Agreement; or (iv) accelerate the vesting or exercisability of any Company Options or Unvested Company Shares except as set forth on Schedule 7.2(s);

(t) engage in or enter into any material transaction or commitment, or relinquish any material right, outside the ordinary course of the Company's business consistent with past practice; or

(u) take, or agree in writing or otherwise to take, or propose to take, any of the actions described in Section 7.2(a)–(t), inclusive, or any other action that would (i) prevent or materially hinder the Company from performing its covenants hereunder or consummating the Acquisition or any other transaction contemplated hereby, or (ii) materially delay the consummation of the Acquisition or any other transaction contemplated hereby.

7.3 Transfer of Company Securities. During the period from the date hereof and prior to the earlier of the Closing or the termination of this Agreement, other than the sale to Buyer as contemplated hereunder, no Company Shareholder shall, directly or indirectly, transfer (except as may be specifically required by court order or by operation of Law), grant an option with respect to, sell, exchange, pledge, convert or otherwise dispose of or encumber any Company Security, or make any offer or enter into any agreement providing for any of the foregoing.

7.4 Procedures for Requesting Parent and Buyer Consent. If the Company desires to take an action which would be prohibited pursuant to Section 7.2 hereof, prior to taking such action the Company may request consent by sending an e-mail to each of the following individuals:

Jeff True
Telephone: 408-753-3861

E-mail address: jtrue@paloaltonetworks.com

with a copy to:

Melinda Thompson
Telephone: 408-753-3862
E-mail address: mthompson@paloaltonetworks.com

Any of the parties set forth above may grant consent on behalf of Parent and Buyer to the taking of any action which would otherwise be prohibited pursuant to Section 7.2 by e-mail or such other notice that complies with the provisions of Section 11.1.

ARTICLE 8

ADDITIONAL AGREEMENTS

8.1 No Solicitation. The following shall apply during the period from the date hereof and prior to the earlier of the Closing or the termination of this Agreement:

(a) For all purposes of and under this Agreement, the term "Acquisition Proposal" shall mean any inquiry, offer, proposal or indication of interest (other than this Agreement or any other inquiry, offer, proposal or indication of interest by Parent and/or Buyer), or any public announcement of intention to make any inquiry, offer, proposal or indication of interest (including any request for information from the Company or the Company Representatives), contemplating, relating to or otherwise involving in any way (i) any acquisition of the Company or any of its Subsidiaries or controlled affiliates, whether effected pursuant to a tender or exchange offer, purchase of stock or assets, merger, consolidation or other form of transaction; (ii) any merger, consolidation or other similar transaction with or involving the Company or any of its Subsidiaries or controlled affiliates as a result of which the Company Shareholders, as a group, immediately prior to such transaction would own less than 80% of the voting equity interests in the surviving or resulting entity of such transaction immediately after the consummation thereof; (iii) any sale by the Company of any stock or assets of the Company or any of its Subsidiaries or controlled affiliates (other than the issuance of Company Shares in connection with the exercise or conversion of convertible securities outstanding as of the date hereof or the sale of assets in the ordinary course of business consistent with past practice); or (iv) any joint venture or other strategic investment in or involving the Company or any of its Subsidiaries or controlled affiliates.

(b) The Company shall immediately cease and cause to be terminated any and all existing activities, discussions or negotiations with any Persons conducted prior to or on the date of this Agreement with respect to any Acquisition Proposal.

(c) Neither the Company nor any of its Subsidiaries will, nor will any of them authorize or permit any of their respective directors, officers, employees, Company Shareholders, affiliates, or any investment banker, attorney or other advisor or representative retained by any of them (all of the foregoing collectively being the "Company Representatives") to, directly or indirectly, (i) solicit, initiate, seek, encourage, or induce (or assist in or cooperate with any Person in) the making, submission or announcement of any inquiry, offer, proposal or indication of interest that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal, (ii) enter into, participate in, maintain or continue any discussions, communications or negotiations regarding any inquiry, offer, proposal or indication of interest that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal, or otherwise take any action to facilitate or support any inquiry, offer, proposal or indication of interest that constitutes, or would reasonably be

expected to lead to, an Acquisition Proposal, (iii) agree to, accept, approve, endorse or recommend (or publicly propose or announce any intention or desire to agree to, accept, approve, endorse or recommend) any inquiry, offer, proposal or indication of interest that constitutes, or would reasonably be expected to lead to, any Acquisition Proposal, (iv) enter into any letter of intent, binding or nonbinding term sheet or any other Contract contemplating or otherwise relating to any Acquisition Proposal, (v) submit any Acquisition Proposal to the vote of any holders of Company Shares, (vi) consummate or otherwise effect a transaction providing for any transaction contemplated by an Acquisition Proposal, or (vii) disclose or make available any information not customarily disclosed to any Person concerning the Company's businesses, properties, assets or technologies, or afford to any Person access to its properties, technologies, books or records.

(d) The Company shall promptly (and in any event within 24 hours) notify Parent and Buyer orally and in writing after receipt by the Company and/or any Company Representatives of (i) any Acquisition Proposal, (ii) any inquiry, proposal, offer or indication of interest that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal, (iii) any other notice that any Person is considering making an Acquisition Proposal, or (iv) any request for information by any Person or Persons (other than Parent or Buyer) not customarily disclosed to any Person concerning the Company's businesses, properties, assets or technologies, *provided* that if disclosure of any of the foregoing information would require the Company to breach any confidentiality obligations of the Company existing as of the date of this Agreement, the Company shall notify Parent and Buyer of the existence thereof and of the existence of confidentiality obligations in connection with or relating thereto, and if after receiving such notice from the Company, Parent requests disclosure by the Company of the information and materials described in clauses (i) through (iv), above, Parent and Buyer shall indemnify and hold the Company and the Company Shareholders harmless from and against any losses incurred by the Company due to any breach by the Company of any confidentiality obligations of the Company existing as of the date of this Agreement due to compliance with the provisions of this Section 8.1. Such notice shall describe (A) the terms and conditions of such Acquisition Proposal, inquiry, proposal, offer, indication of interest, notice or request, to the extent available and (B) the identity of the Person or Group (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder) making any such Acquisition Proposal, inquiry, proposal, offer, indication of interest, notice or request. The Company shall keep Parent and Buyer fully informed of the status and details of, and any modification to, any such Acquisition Proposal, inquiry, proposal, offer, indication of interest, notice or request and any correspondence or communications related thereto and shall provide to Parent and Buyer a complete and accurate copy of such Acquisition Proposal, inquiry, proposal, offer, indication of interest, notice or request and any amendments, correspondence and communications related thereto, if it is in writing, or a reasonable written summary thereof, if it is not in writing. The Company shall provide Parent and Buyer with 72 hours prior notice (or such lesser prior notice as is provided to the members of the Board of Directors of the Company) of any meeting of the Board of Directors of the Company at which the Board of Directors of the Company is reasonably expected to discuss any Acquisition Proposal.

(e) The Company shall be deemed to have breached the terms of this Section 8.1 if any Company Representatives shall take any action, whether in his or her capacity as such or in any other capacity, that is prohibited by this Section 8.1. The parties hereto agree that irreparable damage may be caused in the event that the provisions of this Section 8.1 were not performed. It is accordingly agreed by the parties hereto that Buyer shall be entitled to seek an injunction or injunctions to prevent breaches or threatened breaches of the provisions of this Section 8.1 and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which Parent or Buyer may be entitled at Law or in equity.

8.2 Shareholder Non-Solicitation. Each of the Persons listed on Schedule 8.2 hereby agrees that he, she or it shall not, during the period commencing on the Closing and ending on the eighteen (18)-month anniversary of the Closing (the "Non-Solicitation Period"), without the prior written consent of Parent:

(a) personally or through others, solicit or attempt to solicit (on the undersigned's own behalf or on behalf of any other person) any employee of the Company or Parent (which, for the avoidance of doubt, shall not include any Non-Continuing Employees), or any subsidiary of the Company or Parent, or their respective successors or assigns, to leave his or her employment with the Company or Parent, or any subsidiary of the Company or Parent or any of their respective successors or assigns; *provided*, *however*, that nothing in this Section 8.2(a) shall preclude or prohibit any of the Persons listed on Schedule 8.2 from hiring any such employee who responds to any public advertisement placed by such Person that is not specifically targeted at such employee; or

(b) personally or through others, induce, attempt to induce, solicit or attempt to solicit (on the undersigned's own behalf or on behalf of any other person), any employee of the Company or Parent, or any subsidiary of the Company or Parent to (i) terminate such employee's employment with the Company or Parent, (ii) engage, anywhere in the Restricted Territory (as defined below), in any business (including research and development), operations, activities and/or services that are related to the enterprise end-point security market, or provides the products and services of the Company and/or Parent as such exist as of the Closing (a "Competing Business Purpose"); (iii) be or become an officer, director, stockholder, owner, affiliate, salesperson, co-owner, partner, trustee, promoter, technician, engineer, analyst, employee, agent, representative, supplier, contractor, consultant, advisor or manager of or to, or otherwise acquire or hold any interest in, or participate in or facilitate the financing, operation, management or control of, any firm, partnership, corporation, person, entity or business that engages or participates in a Competing Business Purpose in the Restricted Territory; or (iv) contact, solicit or communicate with the Company's or Parent's customers in connection with a Competing Business Purpose.

For purposes of this Section 8.2, "Restricted Territory" means each and every country, province, state, city, or other political subdivision of the world in which the Company the Parent or any of their subsidiaries or affiliates is currently engaged, or currently plans to engage in a Competing Business Purpose.

8.3 Reasonable Best Efforts to Complete. Subject to the terms and conditions of this Agreement, during the period from the date hereof and prior to the earlier of the Closing Date or the termination of this Agreement, each of the parties hereto shall use Reasonable Best Efforts to take promptly, or cause to be taken promptly, all actions, and to do promptly, or cause to be done promptly, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated hereby, to cause all conditions to the obligations of the other parties hereto to effect the Acquisition to occur, to obtain all necessary waivers, consents, approvals and other documents required to be delivered hereunder and to effect all necessary registrations and filings and to remove any injunctions or other impediments or delays, legal or otherwise, in order to consummate and make effective the transactions contemplated by this Agreement for the purpose of securing to the parties hereto the benefits contemplated by this Agreement; *provided*, *however*, that no party shall be required to agree (and the Company shall not agree without the prior written consent of Parent and Buyer) to (a) any license, sale or other disposition or holding separate (through establishment of a trust or otherwise) of any shares of its capital stock or of any of its businesses, assets or properties, or affiliates; (b) the imposition of any limitation on the ability of Parent or Buyer, their respective subsidiaries or affiliates or the Company to conduct their respective businesses or own any capital stock or assets or to acquire, hold or exercise full rights of ownership of their respective businesses and, in the case of Parent and Buyer, the businesses of the Company; or (c) the imposition of any impediment on Parent or Buyer, their respective subsidiaries or affiliates or the Company under any statute,

rule, regulation, executive order, decree, order or other legal restraint governing competition, monopolies or restrictive trade practices (any such action described in (a), (b) or (c), an "Action of Divestiture"). Nothing in this Agreement shall require Parent or Buyer or permit the Company (without the prior written consent of Parent and Buyer) to litigate with any Governmental Authority. Nothing in this Agreement shall require Parent or Buyer or permit the Company (without the prior written consent of Parent and Buyer) to pay any consideration or agree to any modifications of existing Contracts or entry into new Contracts (other than the payment of customary filing and application fees) in connection with obtaining any waivers, consents or approvals from Governmental Authority or other Persons in connection with this Agreement, the Related Agreements or the transactions contemplated hereby or thereby.

8.4 Modification of Arrangements and Agreements. The Company shall modify each of the Contracts listed on Schedule 8.4 hereto (the "Modified Agreements") in the manner set forth in Schedule 8.4 on or prior to the Closing Date. The Company shall be responsible for making any payments required in connection with the Modified Agreements and shall indemnify, defend, protect and hold harmless Parent, Buyer and, following the Closing, the Company, from all Losses arising from such payments and shall reflect such payments or other consideration incurred by the Company as of the Closing Date or anticipated to be incurred or payable after the Closing on the Statement of Transaction Expenses.

8.5 Termination of Arrangement and Agreements.

(a) Except for this Agreement, the Related Agreements and those agreements set forth on Schedule 8.5(a), the Company shall terminate all Contracts between the Company or any of its Subsidiaries, on the one hand, and one or more Related Parties, on the other hand, on or prior to the Closing Date, in each case without any remaining liability of any kind to the Company, Parent or Buyer as a result of or in connection with such termination or such Contract.

(b) The Company shall terminate all Contracts listed on Schedule 8.5(b) (the "Terminated Agreements") on or prior to the Closing, including sending all required notices, such that each such Contract shall be of no further force or effect immediately following the Closing, in each case without any remaining liability of any kind to the Company, Parent or Buyer as a result of or in connection with such termination or such Contract.

(c) Neither Parent nor Buyer shall not have any liability to the Company or any Subsidiary of the Company, any Company Shareholder or any other Person for any costs, claims, liabilities or damages resulting from the Company or any of its Subsidiaries seeking to obtain such terminations.

(d) The Company and the Company Securityholders may prepare and file with the Israel Tax Authority an application for a ruling permitting certain Company Securityholder specifically described in such tax ruling (the "Electing Holder"), to defer any applicable Israeli tax with respect to any share portion of the Total Consideration that such Electing Holder will receive pursuant to this Agreement until the sale, transfer or other conveyance for cash of such share portion of the consideration by such Electing Holder or such other date set forth in Section 104H of the Israeli Tax Ordinance (the "104H Tax Ruling"). Parent and Buyer shall cooperate with the Company and the Company Securityholder and their Israeli counsel with respect to the preparation and filing of such application and in the preparation of any written or oral submissions that may be necessary, proper or advisable to obtain the 104H Tax Ruling. Notwithstanding the provisions of Section 2.4(f)(i) above, if the 104H Tax Ruling shall be received and delivered to Parent at least five (5) Business Days prior to the applicable withholding date, then the provisions of the 104H Tax Ruling shall apply with respect to each Electing Holder and all applicable withholding and reporting

procedures with respect to the Total Consideration shall be made in accordance with the provisions of the 104H Tax Ruling and Section 104H of the Israeli Tax Ordinance.

8.6 Consents. During the period from the date hereof and prior to the earlier of the Closing or the termination of this Agreement, the Company shall use all Reasonable Best Efforts, subject to the last sentence of Section 8.3, to obtain the consents, waivers and approvals to the Contracts listed in Schedule 8.6 hereto (the "Consents"). The Consents shall be in a form reasonably acceptable to Parent and Buyer.

8.7 Notices. The Company shall send each of the notices set forth in Schedule 8.7 hereto (the "Notices") promptly following the date hereof. Any liabilities of any kind on the part of the Company that arise in connection with the performance by the Company of this Section 8.7 shall be included in the Liabilities taken into account in the calculation of the Adjusted Net Cash Amount, except to the extent released or fully satisfied by Closing without any further liability to the Company.

8.8 Additional Written Agreements. The Company shall execute and deliver, and shall cause each the counterparties thereto to execute and deliver, each of the agreements described in Schedule 8.8 hereto (the "Additional Written Agreements"). The Additional Written Agreements shall be in a form reasonably acceptable to Parent and Buyer.

8.9 Regulatory Approvals.

(a) Generally. In furtherance and not in limitation of the terms of Section 8.3, during the period from the date hereof and prior to the earlier of the Closing or the termination of this Agreement, each of the Company, any of its Subsidiaries, Parent and Buyer shall promptly execute and file, or join in the execution and filing of, any application, notification or other document that may be necessary in order to obtain the authorization, approval or consent of any Governmental Authority, whether federal, state, local or foreign, that may be reasonably required, or that Parent or Buyer may reasonably request, in connection with the consummation of the transactions contemplated hereby (including the Israeli 102 Tax Ruling). Each of the Company, Parent and Buyer shall use its Reasonable Best Efforts to obtain all such authorizations, approvals and consents. To the extent permitted by applicable Law, each of the Company, Parent and Buyer shall promptly inform the other of any material communication between the Company, Parent or Buyer (as applicable) and any Governmental Authority regarding the transactions contemplated hereby. If the Company, Parent or Buyer or any affiliate thereof shall receive any formal or informal request for supplemental information or documentary material from any Governmental Authority with respect to the transactions contemplated hereby, then the Company, Parent or Buyer (as applicable) shall make, or cause to be made, as soon as reasonably practicable, a response in compliance with such request; *provided*, *however*, that the Company, Parent or Buyer (as applicable) shall provide the other with a reasonable opportunity to review such response prior to submission.

(b) Israeli Filings. In furtherance and not in limitation of the terms of Section 8.3, Parent, Buyer and the Company and each of the Indemnifying Parties shall use its respective Reasonable Best Efforts to deliver and file, as promptly as practicable after the date of this Agreement, each notice, report or other document required to be delivered by such party to, or filed by such party with, any Israeli Governmental Authority with respect to this Agreement, the Acquisition and the transactions contemplated hereby. Parent, Buyer and the Company shall use all Reasonable Best Efforts, as promptly as practicable after the date of this Agreement, to obtain any consents and approvals that may be required pursuant to Israeli Laws in connection with this Agreement, the Acquisition and the transactions contemplated hereby. Parent, Buyer and the Company each shall use Reasonable Best Efforts to: (i) give the other parties prompt notice of the commencement of any legal proceeding by or before any Israeli Governmental Authority with respect

to the Acquisition; (ii) keep the other parties informed as to the status of any such legal proceeding; and (iii) promptly inform the other parties of any communication to the Companies Registrar or any other Israeli Governmental Authority regarding the Acquisition. Parent, Buyer and the Company shall consult and cooperate with one another, and shall consider in good faith the views of one another, in connection with any analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal made or submitted in connection with any Israeli legal proceeding relating to the Acquisition. In addition, except as may be prohibited by any Israeli Governmental Authority or by any Israeli Law, in connection with any such legal proceeding, Parent, Buyer and the Company shall permit authorized representatives of the other party to be present at each meeting or conference relating to any such legal proceeding and to have access to and be consulted in connection with any document, opinion or proposal made or submitted to any Israeli Governmental Authority in connection with any such legal proceeding.

(c) Tax Ruling. Prior to the execution of this Agreement, the Company shall file, or shall have filed, with the Israel Tax Authority in full coordination with the Parent and Parent's Israeli counsel (and Parent shall have had an opportunity to review any such documents prior to their being filed with the Israel Tax Authority and shall have provided all reasonable cooperation to the Company in relation thereto), in a form acceptable to Parent, an application for a ruling that provides, in effect, inter alia, (A) that the treatment of Company 102 Options that are Vested Company Options as contemplated by Section 2.2 and the delivery to the 102 Trustee, with respect to Company 102 Securities held by the 102 Trustee, of consideration as described in Section 2.2, in each case prior to the lapse of the 102 Trust Period, will not be treated as a breach of the provisions of Section 102 of the Israel Tax Ordinance, provided that the applicable consideration paid to holders of Company 102 Securities is deposited for at least the duration of the 102 Trust Period with the 102 Trustee and that such consideration shall be considered under Section 102 of the Israel Tax Ordinance to be income subject to the "capital gains route"; (B) Buyer and anyone acting on its behalf, including the Paying Agent, shall be exempt from withholding Tax in relation to any payments or consideration transferred to the 102 Trustee in relation to Company 102 Securities; (C) that the Escrow Fund distributions in respect of Company 102 Securities and Company 3(i) Options shall not be subject to Israel Tax until actually received by the applicable Securityholder; and (D) that the Total Consideration paid by Parent or Buyer to the Paying Agent, the Escrow Agent and the 102 Trustee shall not be subject to Israel Tax withholding (the "Israeli 102 Tax Ruling"). The Company shall use its Reasonable Best Efforts to have each Israeli holder of Company Options (whether Vested Company Options or Unvested Company Options, which are subject to the provisions of Section 8.21(b)) execute and deliver to the Company (A) their acknowledgement of receipt of copies of all securities filings under the Israel Securities Authorities Exemption; (B) their agreement to the Israeli 102 Tax Ruling; and (C) their acknowledgement of being informed of the risks involved in shares of a publicly traded company, all in form and substance reasonably satisfactory to Parent. If the Israeli 102 Tax Ruling is not granted prior to the Closing, the Company shall seek to receive prior to the Closing an interim tax ruling confirming, among others things, that Parent and Buyer and anyone acting on their behalves (including the Paying Agent and the Escrow Agent) shall be exempt from Israeli withholding Tax in relation to any payments made with respect to Company 102 Securities and Company 3(i) Options by the 102 Trustee or the Company (which ruling may be subject to customary conditions regularly associated with such a ruling) (the "Interim Options Tax Ruling"). To the extent the Interim Options Tax Ruling is obtained, all references herein to the Israeli 102 Tax Ruling shall be deemed to refer to such interim ruling, until such time that a final definitive Israeli 102 Tax Ruling is obtained. The parties will cause their respective Israeli counsel, advisors and accountants to coordinate and cooperate and provide all information required with respect to the Company's preparation and filing of such application and in the preparation of any written or oral submissions that may be necessary, proper or advisable to obtain the Israeli 102 Tax Ruling or the Interim Options Tax Ruling, as applicable. Subject to the terms and conditions hereof, the Company shall use Reasonable Best Efforts to promptly take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to obtain the Interim Options Tax Ruling

and the Israeli 102 Tax Ruling as promptly as practicable; *provided*, *however*, that if none of such rulings is obtained for any reason whatsoever by the Closing Date, the Closing shall not be delayed or postponed. For the avoidance of doubt, the language in and provisions of the Israeli 102 Tax Ruling and, if applicable, the Interim Options Tax Ruling shall be subject to the prior written approval of Parent and Buyer or their counsel, which consent shall not unreasonably be withheld, conditioned or delayed. Should Parent's and Buyer's counsel not attend any meeting or discussion with the Israel Tax Authority, the counsel of Company shall provide Parent and Buyer and their counsel with an update of such meeting or discussion within two (2) Business Days of such meeting or discussion.

(d) Limitation. Notwithstanding the foregoing or anything to the contrary set forth in this Agreement, it is expressly understood and agreed that (i) none of Parent, Buyer or the Company shall have any obligation to litigate any administrative or judicial action or proceeding that may be brought in connection with the transactions contemplated by this Agreement, and (ii) neither Parent nor Buyer shall be required to (and the Company shall not, nor shall it permit any of its Subsidiaries to): (i) agree to any license, sale or other disposition or holding separate (through the establishment of a trust or otherwise), of shares of capital stock or of any business, assets or property of Parent or Buyer, or of the Company or its affiliates, or the imposition of any limitation on the ability of any of them to conduct their businesses or to own or exercise control of such assets, properties and stock, or (ii) take any action under this Section 8.9 or any other provision of this Agreement if any Governmental Authority that has the authority to enforce any antitrust Law seeks, or authorizes its staff to seek, a preliminary injunction or restraining order to enjoin consummation of any transaction contemplated by this Agreement.

8.10 Notification of Certain Matters. During the period from the date hereof and prior to the earlier of the Closing or the termination of this Agreement:

(a) The Company shall give prompt notice to Parent of (i) the occurrence or non-occurrence of any event that has caused or would reasonably be expected to cause any representation or warranty of the Company set forth in this Agreement to be untrue or inaccurate at or prior to the Closing, and (ii) any failure of the Company to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

(b) Parent shall give prompt notice to the Company of (i) the occurrence or non-occurrence of any event that has caused or would reasonably be expected to cause any representation or warranty of Parent or Buyer set forth in this Agreement to be untrue or inaccurate at or prior to the Closing, and (ii) any failure of Parent or Buyer to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

(c) The delivery of any notice pursuant to this Section 8.10 shall not (i) limit or otherwise affect any remedies otherwise available to Parent, Buyer or the Company, as applicable, or (ii) constitute an acknowledgment or admission of a breach of this Agreement. No disclosure by the Company pursuant to this Section 8.10 shall affect or be deemed to modify, amend or supplement any representation or warranty set forth herein, the Disclosure Schedule or the conditions to the obligations of the parties to consummate the transactions contemplated hereby in accordance with the terms and conditions hereof, or limit any right to indemnification provided herein.

8.11 Access to Information. During the period from the date hereof and prior to the earlier of the Closing or the termination of this Agreement, the Company shall afford Parent, Buyer and its accountants, counsel and other representatives, reasonable access during the Company's (and, as applicable, its Subsidiaries') normal business hours to (a) all of the Company's and its Subsidiaries' assets, properties,

books, Contracts, commitments and records, (b) all other information concerning the business, properties and employees (subject to restrictions imposed by applicable Law) of the Company and its Subsidiaries as Parent or Buyer may reasonably request, including the Company's and its Subsidiaries' Customer Information, and (c) all employees of the Company as identified by Parent or Buyer. The Company shall provide to Parent and Buyer and its accountants, counsel and other representatives copies of available internal financial statements (including Tax Returns and supporting documentation) of the Company and its Subsidiaries promptly upon request. The Company shall use Reasonable Best Efforts to provide access to and facilitate meetings with the customers, distributors, resellers, and marketing affiliates of the Company identified by Parent or Buyer and shall give Parent or Buyer reasonable access to the Company's and its Subsidiaries' technical information.

8.12 Confidentiality.

(a) The parties acknowledge and agree that the existence of this Agreement, the Disclosure Schedule, the Escrow Agreement and the documents and instruments contemplated hereby and thereby, the terms and conditions hereof and thereof, and the transactions contemplated hereby and thereby, shall constitute "Confidential Information" under and within the meaning of the Mutual Non-Disclosure Agreement, dated as of October 15, 2013, by and between the Company and Parent, as amended from time to time (the "Non-Disclosure Agreement").

(b) Unless otherwise required by applicable Law, the Company Securityholders, the Company Representatives and the Representative (and its legal, financial, accounting and other representatives) shall hold in confidence all non-public information regarding Parent, Buyer, this Agreement, the Related Agreements, and the transactions contemplated hereby in accordance with the terms of the Non-Disclosure Agreement, except that the Company Shareholders may disclose information to (i) their respective partners, members, shareholders, advisors and other affiliates who have a need to know such information for purposes of the Company Shareholder satisfying its obligations hereunder, *provided* that such persons either (A) agree to observe the terms of this Section 8.12(b) (and enter into a written agreement providing for same for the benefit of Parent and Buyer), or (B) are bound by obligations of confidentiality to the Company Shareholder of at least as high a standard as those imposed on the Company Shareholder under this Section 8.12(b), and (ii) their limited partners, if and to the extent that such information is required to be disclosed to such limited partners pursuant to the terms of the relevant Company Shareholder's partnership agreement as in effect on the date hereof and, in any case, any disclosures that are not permitted by this Section 8.12(b) made by such partners, members, shareholders, advisors and other affiliates shall be deemed to be a breach of this Section 8.12(b) by such Company Shareholder. The Representative (and its legal, financial, accounting and other representatives) shall hold in confidence all non-public information regarding Buyer, Parent, the Company, this Agreement and the transactions contemplated hereby in accordance with the terms of the Non-Disclosure Agreement, provided that any provisions in the Non-Disclosure Agreement regarding the return or destruction of non-public information shall not apply to the Representative. Notwithstanding anything in this Agreement or in the Non-Disclosure Agreement to the contrary, following the Closing, the Representative shall be permitted to disclose information as required by applicable Law or to employees, advisors or consultants of the Representative and the Indemnifying Parties, in each case who have a need to know such information in order for the Representative to satisfy its obligations under this Agreement and the Escrow Agreement or to Company Securityholders who are subject to the confidentiality obligations under this Section 8.12(b), *provided* that such persons either (x) agree to observe the terms of this Section 8.12(b) (and enter into a written agreement providing for same for the benefit of Parent and Buyer), or (y) are bound by obligations of confidentiality to the Representative of at least as high a standard as those imposed on the Representative under this Section 8.12(b). Any disclosures that are not permitted

by this Section 8.12(b) made by such employees, advisors, consultants or Company Securityholders shall be deemed to be a breach of this Section 8.12(b) by the Representative.

8.13 Public Announcements.

(a) Following the date hereof, neither the Company nor any of the Company Shareholders will (nor will any of them permit, as applicable, any of their respective officers, directors, partners, members, shareholders, agents, representatives or affiliates to), directly or indirectly, issue any statement or communication to any third party (other than its agents that are bound by confidentiality restrictions and other than communications with Company Securityholders and third parties to obtain the consents and approvals required under this Agreement and applicable Law, and other than communications to limited partners of the Company Shareholders, or as otherwise required under applicable Law) regarding the subject matter of this Agreement or the transactions contemplated hereby, including, if applicable, the termination of this Agreement and the reasons therefor or any disputes or arbitration proceedings, without the prior written consent of Parent. Following any press release or written publication documentation by Parent or Buyer, the Company and Company Shareholders shall be entitled to make press releases or written publication documentation using substantially the same language used by Parent or Buyer in any press release or public announcement; *provided*, that any disclosure in such press release or public documentation relating to a Company Shareholder's return on investment or similar financial metric shall be deemed to be acceptable to Parent hereunder.

(b) Promptly following the Closing, Parent and Buyer shall make a press release or written publication documentation regarding the subject matter of this Agreement or the transactions contemplated hereby, substantially in the form of a copy of which was previously provided to the Company.

(c) Prior to the Closing, Parent and Buyer shall provide the Company with opportunity to review any press releases or written publication documentation regarding the subject matter of this Agreement or the transactions contemplated hereby and shall consider in good faith any reasonable comments of the Company thereto, except that this restrictions shall be subject to Parent's or Buyer's obligation to comply with applicable securities laws and the rules applicable to companies listed on the NYSE.

8.14 Payment Spreadsheet.

(a) At least two (2) Business Days prior to the scheduled Closing Date, the Company shall deliver a payment spreadsheet (the "Payment Spreadsheet") in a form reasonably acceptable to Buyer and the Paying Agent, certified as complete and accurate by the Chief Executive Officer of the Company, setting forth the following information:

(i) The calculation of "Total Consideration", including a separate line item for each adjustment thereto in accordance with the definition of "Total Consideration" hereunder;

(ii) A calculation of the "Per Option Consideration," in accordance with the definition of "Per Option Consideration" hereunder;

(iii) A calculation of the "Per Share Consideration," in accordance with the definition of "Per Share Consideration" hereunder;

(iv) With respect to each Company Shareholder, (A) such Person's address and, if available to the Company, social security number (or tax identification number, as applicable), (B) the number, class and series of Company Shares held by such Person, (C) the respective certificate number(s)

representing such shares, (D) the respective date(s) of acquisition of such shares, (E) for shares acquired on or after January 1, 2011, such Person's basis in such shares, (F) the cash portion of the Closing Payment Fund to be paid to such Company Shareholder at the Closing in respect of such shares, (G) the number of shares of Parent Common Stock from the Closing Payment Fund to be paid to such Company Shareholder at the Closing in respect of such shares, (H) such Company Shareholder's Pro Rata Share of the Escrow Amount expressed as a percentage and a Dollar amount, (I) such Company Shareholder's Pro Rata Share of the Representative Expense Amount expressed as a percentage and a Dollar amount, (J) any amount required to be withheld under Tax Laws, (K) the identification of any shares that were eligible for an election under Section 83(b) of the Code, including the date of issuance of such shares, and, to the Knowledge of the Company, whether such election under Section 83(b) of the Code was timely made, (L) the identification of any shares that were purchased upon exercise of stock options that were exercised within 12 months prior to the Closing and the ordinary income recapture amounts required to be reported to any Taxing Authority in connection therewith, (M) in respect of each Founder, the number of shares of Parent Common Stock to be paid to such Founder at the Closing and the number of such shares subject to such Founder's Holdback Agreement, and (N) such other relevant information that Parent, Buyer or the Paying Agent may reasonably require, if practicable; and

(v) With respect to each holder of a Company Option or Promised Option, (A) such Person's address and, if available to the Company, social security number (or tax identification number, as applicable), (B) the number of Company Shares underlying each Company Option held by such Person, (C) the respective exercise price per share of such Company Option, (D) the respective grant date(s) of such Company Option, (E) the respective vesting arrangement(s) with respect to any Unvested Company Options or Unvested Promised Options, (F) whether the holder of such Company Option is a Continuing Employee, (G) whether such Company Option is an incentive stock option or a non-qualified stock option (as applicable), (H) with respect to any Option held by an Israeli employee, officer, director or consultant of the Company, a description of whether such Option was granted under Section 102 or Section 3(i) of the Israel Tax Ordinance and with respect to the Company 102 Options whether an election was made to treat such Option under the capital gain route or ordinary income route, (I) in the case of Vested Company Options or Vested Promised Options, the cash portion of the Closing Payment Fund to be paid to the holder at Closing, (J) any amounts required to be withheld under applicable Tax Laws, (K) such other relevant information that Buyer or the Paying Agent may reasonably require, (L) such Company Optionholder's Pro Rata Share of the Escrow Amount (as applicable) expressed as a percentage and a Dollar amount, (M) such Company Optionholder's Pro Rata Share of the Representative Expense Amount (as applicable) expressed as a percentage and a Dollar amount and (N) such other relevant information that Parent, Buyer or the Paying Agent may reasonably require, if practicable.

(b) In the event that any information set forth in the Payment Spreadsheet becomes inaccurate at any time prior to the Closing, the Company shall deliver a revised Payment Spreadsheet, together with a new certification consistent with Section 8.14(a), whereupon such revised Payment Spreadsheet shall be deemed to be the "Payment Spreadsheet" for all purposes of and under this Agreement.

(c) The Company acknowledges and agrees that the Paying Agent, Escrow Agent, Parent, Buyer and its agents shall be entitled to rely on the Payment Spreadsheet for purposes of making any payments hereunder.

8.15 Fees and Expenses.

(a) Except as otherwise provided in this Agreement, (i) all fees, costs and expenses incurred by Parent and Buyer in connection with this Agreement, the Related Agreements, and the transactions

contemplated hereby, including fees and expenses of financial advisors, financial sponsors, legal counsel and other advisors, shall be paid by Parent and Buyer whether or not the Acquisition is consummated and (ii) all Transaction Expenses incurred by the Company or the Company Securityholders prior to the Closing or by the Company Securityholders following the Closing shall be obligations of the Company and shall be paid by the Company, but, if the Closing occurs, shall be borne economically by the Company Securityholders by either (A) deducting the sum thereof from the Total Consideration in accordance with the terms of this Agreement or (B) including the sum thereof as a Liability for purposes of determining the Adjusted Net Cash Amount in accordance with the terms of this Agreement, or to the extent not deducted from the Total Consideration at the Closing, subject to reimbursement by a claim for indemnification pursuant to Article 10; and (iii) all fees, costs and expenses incurred by the Company Securityholders in connection with this Agreement and the transactions contemplated hereby, including fees and expenses of financial advisors, financial sponsors, legal counsel and other advisors (other than Dentons US LLP, legal counsel to the Company Shareholders, which shall be paid by the Company at the Closing and which, for the avoidance of doubt, shall be a Transaction Expense), shall be obligations of such relevant Company Securityholders.

(b) Within five (5) Business Days of (but in any event no later than three (3) Business Days prior to) the Closing, the Company shall (i) prepare in good faith and deliver to Parent an estimate (the "Statement of Transaction Expenses") of all Transaction Expenses, and (ii) use its Reasonable Best Efforts to deliver to Buyer a final invoice of all outstanding and unpaid fees, costs and expenses from each third party financial advisor, legal counsel, accountant, consultant or other agent or representative engaged by the Company in connection with the transactions contemplated hereby.

8.16 Calculation of the Adjusted Net Cash Amount. The Company shall deliver to Parent and Buyer (a) a draft statement setting forth in reasonable detail and accompanied by reasonably detailed back-up documentation the calculation of the Adjusted Net Cash Amount as of the Closing Date in a form reasonably satisfactory to Parent and Buyer not less than two (2) Business Days prior to the Closing Date, and (b) shall deliver to Parent and Buyer a final certificate setting forth the calculation of the Adjusted Net Cash Amount as of the Closing Date, in reasonable detail and accompanied by reasonable back-up documentation, in a form reasonably satisfactory to Parent and Buyer not less than three (3) Business Days prior to the Closing Date, which certificate shall be certified as true, correct and complete as of the Closing Date by the Company's Chief Executive Officer (the "Adjusted Net Cash Amount Certificate"). For the avoidance of doubt, the Adjusted Net Cash Amount is to be calculated in the same way, using the same methodologies and accounting practices and principles applied on a consistent basis (including with respect to determining estimates and allowances) as the line items comprising the Adjusted Net Cash Amount as set forth on Schedule 1.1(e).

8.17 Current Accounts Receivable Certificate. The Company shall deliver to Parent and Buyer (a) a draft statement setting forth in reasonable detail and accompanied by reasonably detailed back-up documentation the calculation of the Current Accounts Receivable as of the Closing Date not less than two (2) Business Days prior to the Closing Date, and (b) shall deliver to Parent and Buyer a final certificate setting forth the calculation of the Current Accounts Receivable as of the Closing Date, in reasonable detail and accompanied by reasonably detailed back-up documentation, in a form reasonably satisfactory to Parent and Buyer not less than one (1) Business Day prior to the Closing Date, which certificate shall be certified as true, correct and complete as of the Closing Date by the Company's Chief Executive Officer (the "Current Accounts Receivable Certificate").

8.18 Resignation of Officers and Directors. The Company shall cause each officer and director of the Company and its Subsidiaries to execute a Director and Officer Resignation and Release Letter, subject to and effective as of the Closing Date.

8.19 Continuing Employees

(a) The Company shall use its Reasonable Best Efforts to cause each of the Employees who is offered employment with Parent, Buyer or any Subsidiary of Parent or Buyer (excluding the Key Employees) to become a Continuing Employee, each of whom shall have executed and delivered an employment offer letter and proprietary information and invention assignment agreement, each on Parent's form, effective on the Closing Date (collectively, the "Continuing Employee Employment Agreements" and together with the Key Employee Employment Agreements, the "Employment Agreements").

(b) In connection with the employment of the Continuing Employees, as promptly as practicable after the date of this Agreement, Parent shall submit to the Israel Tax Authority the equity incentive plan of Parent and shall take commercially reasonable actions necessary to qualify such plan as a capital gains route plan under Section 102(b)(2) and Section 102(b)(3) of the Israeli Tax Ordinance.

(c) As soon as reasonably practicable following the qualification of such equity incentive plan of Parent described in clause (b), Parent shall grant of restricted stock units to Continuing Employees and other employees engaged in the Company's business at Parent or the Company following the Closing, covering shares of Parent Common Stock having an aggregate value equal to the sum of: (A) $15,000,000 *plus* (B) an amount equal to the aggregate cash amount underlying all (i) Unvested Options allocated to Continuing Employees, (ii) Unvested Options allocated to Contractors of the Company whose service will continue following the Closing and (iii) Unvested Promised Options promised to Continuing Employees or to Contractors whose service will continue following the Closing), determined by taking the excess, if any, of the Per Share Consideration, over the applicable per share exercise price of each such Unvested Company Option or Unvested Promised Option. For purposes of this clause (c), the value with respect to each such restricted stock unit of Parent so granted shall be determined based on the trading price of Parent Common Stock on the grant date of such restricted stock unit of Parent.

8.20 Non-Continuing Employees and Termination of Consultants. Prior to the Closing Date, the Company shall provide a notice of termination of employment to each of the Non-Continuing Employees, which notice shall become effective as of and subject to the Closing, and, unless instructed otherwise by Parent or Buyer in writing, a notice of termination of the consulting relationship to each of the Contractors. The Company shall use Reasonable Best Efforts to obtain a valid general release of claims and separation agreement, in a form reasonably satisfactory to Parent and Buyer, from each Non-Continuing Employee.

8.21 Company Options.

(a) The Company shall not exercise any discretion to accelerate the vesting of any outstanding Company Options as a result of the transactions contemplated by this Agreement except as set forth in Schedule 8.21(a).

(b) Before the Closing Date, the Company shall take all such actions as are necessary (including, to the extent necessary, obtaining written consents or waivers from the holders of the applicable Company Option) such that, immediately prior to the Closing, each Vested Company Option that is outstanding and unexercised shall be cancelled as of the Closing and the holder thereof shall be entitled only to the benefits on and subject to the terms of Section 2.2.

8.22 Optionholder Waiver and Acknowledgement. The Company shall use its Reasonable Best Efforts to cause each Vested Company Optionholder and each Vested Promised Optionholder to execute the Optionholder Waiver and Acknowledgement to be executed on or prior to the Closing Date.

8.23 Shareholder Release.

(a) Effective as of and subject to the Closing, each Contributing Securityholder does for himself, herself or itself and his, her or its respective controlled affiliates (other than, for the avoidance of doubt, portfolio companies of the Contributing Securityholders where such Contributing Securityholder's own (directly or indirectly) a minority stake, the Company and its affiliates), partners, heirs, beneficiaries, successors and assigns, if any, release and absolutely forever discharge the Company and each of its officers, directors, shareholders, affiliates, employees and agents (each, a "Released Party") from and against all Released Matters. "Released Matters" means any and all claims, demands, damages, debts, liabilities, obligations, costs, expenses (including attorneys' and accountants' fees and expenses), actions and causes of action of any nature whatsoever, whether now known or unknown, suspected or unsuspected, that such Contributing Securityholder now has, or at any time previously had, or shall or may have in the future, as a Contributing Securityholder, officer, director, contractor, consultant or employee of the Company, in each case arising by virtue of or in any matter related to any actions or inactions with respect to the Company or its affairs with respect to the Company on or before the Closing, including (i) any claim or right with regard to any Company Shares or Company Options other than the Company Shares or Company Options as specifically set forth in the Payment Spreadsheet (including claims in connection with the Escrow Fund, which are expressly not waived); (ii) any claim or right to receive any portion of the Total Consideration or any other form, amount or value of consideration payable to any Company Shareholder pursuant to the terms of this Agreement, other than as specifically set forth in the Payment Spreadsheet (subject to any changes and adjustments contemplated in this Agreement); or (iii) any claim with respect to the authority or enforceability to enter into this Agreement, the Acquisition or any of the transactions contemplated hereby; *provided* that Released Matters shall not include any rights pursuant to the transactions contemplated by this Agreement and the Related Agreements or for the avoidance of doubt any rights relating to any employment payment, including salary, bonuses, accrued vacation, any other employee compensation and/or benefits, in each case to the extent earned but unpaid prior to the Closing Date, and unreimbursed expenses.

(b) Each Company Securityholder hereby confirms, acknowledges, represents and warrants, severally and not jointly with respect to itself, that such Company Securityholder: (A) (i) is the holder of the number of Company Shares and/or Company Options set forth in the Payment Spreadsheet; (ii) other than the number and class of Company Shares and/or Company Options set forth in the Payment Spreadsheet, is not entitled to any additional Company Shares or Company Options or any other form of equity interests, including, shares, options, warrants or any other convertible security, or right to acquire shares, options or warrants of or any other convertible security into Company Securities; (iii) waives, effective as of and subject to the Closing, any right to receive any additional Company Shares (as a result of any anti-dilution rights, preemptive rights, conversion rights (of any of the Company Shares which are outstanding as of the Closing or any Company Shares he, she or it may have been entitled to receive as a result of the conversion of any convertible loan agreement or any other convertible instrument that was issued by the Company), rights of first offer, co-sale and no-sale rights, any other participation, first refusal or similar rights, any adjustment of the conversion price of any preferred share whatsoever or otherwise); and (iv) effective as of and subject to the Closing, fully, finally, irrevocably and forever waives any right to convert any of its Company Shares into any other class or series of Company Shares presently and through the Closing; (B) (i) examined the Payment Spreadsheet and is entitled, with respect to his, her or its Company Shares, only to the distribution set forth in the Payment Spreadsheet (subject to any changes and adjustments contemplated in this Agreement); and (ii) effective as of and subject to the Closing, waives any right to receive consideration other than as set forth in the Payment Spreadsheet (including, without limitation, for any interest payments (except for interest on the Escrow Amount to the extent payable to such Company Securityholder pursuant to the Escrow Agreement), the method of determination or calculation of any of the values or allocations pursuant to this Agreement, any preferential or other amount resulting from its

investment in the Company or the purchase of Company Shares (e.g. in the form of indemnification), the conversion of Company Shares, any other rights of any nature under the Company Organizational Documents, or any Shareholders Agreement, which the Company Shareholders and/or its successors and assignees ever had, now have or hereafter can, shall or may have, at any time, due to actions or events that occurred prior to Closing which do not conform or are not consistent with the terms of this Agreement and the consideration attributed to such Company Shareholders in the Payment Spreadsheet); (C) effective as of and subject to the Closing, terminates and waives any rights, powers and privileges such Company Shareholder has or may have pursuant to any "Shareholders Agreement" which was in effect prior to the Closing Date (which for purposes of this Agreement will be defined as any investors rights agreement (including the IRA), registration rights agreement or shareholders agreement entered into by such Company Shareholders with respect to the Company, but, for the avoidance of doubt, shall not include the Shareholders Agreement) or any right to make a claim or demand for any discrepancy between any Shareholders Agreement, share purchase agreement or convertible loan agreement such Company Shareholder and the provisions of this Agreement and his, her or its entitlement pursuant to such agreements; (D) for as long as this Agreement is in force, and except as required under the terms of this Agreement or as necessary to consummate the Acquisition, agrees not to sell, transfer, assign or convert any of its Company Shares and/or Company Options, or subject such Company Shares and/or Company Options to any Liens, except pursuant to a transfer request of Company Shares provided to the Company and Parent prior to the date of this Agreement; and (E) has not heretofore assigned or transferred, or purported to have assigned or transferred, to any corporation (or any other legal entity) or person whatsoever, any claim, debt, liability, demand, obligation, cost, expense, action or cause of action herein released.

(c) It is the intention of the Contributing Securityholders in executing the release contained in this Section 8.23, and in giving and receiving the consideration called for herein, that this release shall be effective as a full and final accord and satisfaction and general release of and from all Released Matters. Notwithstanding anything herein or otherwise to the contrary, the release contained in this Section 8.23 will not be effective so as to benefit a particular Released Party in connection with any matter or event that would otherwise constitute a Released Matter, but involved fraud, willful misconduct or willful misrepresentation, or the breach of any applicable Law on the part of such Released Party. Each Contributing Securityholder hereby severally represents to Parent and Buyer that such Contributing Securityholder has not voluntarily or involuntarily assigned or transferred or purported to assign or transfer to any person any Released Matters and that no person other than such Contributing Securityholder has any interest in any Released Matter by Law or contract by virtue of any action or inaction by such Contributing Securityholder. In furtherance, and not in limitation, of the forgoing, each of the Contributing Securityholders (i) agrees that by receiving the amount of the Total Consideration as provided in this Agreement, such Contributing Securityholder will be fully compensated for the transfer of its Company Shares to Buyer and (ii) effective as of and subject to the Closing, agrees that all claims by such Contributing Securityholder to any consideration for the transfer of its shares to Buyer other than as provided in this Agreement and the agreements ancillary to it (including the Escrow Agreement), or for any other rights that such Contributing Securityholder holds in (or is owed by) Buyer, the Company or any of their affiliates or Subsidiaries (including as a result of any terms of the Company's certificate of incorporation), is forever waived.

(d) In furtherance, and not in limitation, of the forgoing, each Contributing Securityholder hereby expressly waives, subject to and effective as of the Closing, any and all rights and benefits conferred upon him, her or it by the Company Organizational Documents, the provisions of applicable Law, rule and regulation and expressly consents that this release will be given full force and effect according to each and all of its express terms and provisions, including those related to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified.

(e) The invalidity or unenforceability of any part of this Section 8.23 shall not affect the validity or enforceability of the remainder of this Section 8.23, which shall remain in full force and effect.

8.24 Tax Matters.

(a) Tax Returns Filed Before the Closing Date. The Company will cause to be prepared and timely filed all Tax Returns of the Company or any of its Subsidiaries required to be filed on or after the date of this Agreement and prior to the Closing Date (taking into account any validly obtained extensions to file). Such Tax Returns shall be prepared in accordance with applicable Law and in a manner consistent with prior practice (unless otherwise required by applicable Law), shall be provided to Parent for review not later than fifteen (15) days prior to the due date for filing (including any applicable extensions), shall be revised to reflect Parent's reasonable comments, and shall not be filed without Parent's approval, which shall not be unreasonably withheld, conditioned or delayed.

(b) Tax Returns Filed On or After the Closing Date. Buyer will cause to be prepared and timely filed all Tax Returns of the Company or any of its Subsidiaries required to be filed on or after the Closing Date. With respect to any such Tax Return for any Pre-Closing Tax Period, including any Straddle Period (a "Pre-Closing Tax Return"), if such Pre-Closing Tax Return reflects Taxes for which Buyer will seek indemnification pursuant to Article 10, then such Pre-Closing Tax Returns shall be prepared in accordance with applicable Law and in a manner consistent with prior practice (unless otherwise required by applicable Law as determined in the reasonable discretion of Parent) and not later than fifteen (15) days prior to the due date for the filing of such Pre-Closing Tax Return (or, if such due date is within forty-five (45) days following the Closing Date, as promptly as practicable following the Closing Date), Buyer shall provide the Representative with a copy of any such Tax Return that reflects only operations and Taxes relating to the Company or any of its Subsidiaries, or a pro forma Tax Return reflecting only such operations and Taxes. Buyer shall consider in good faith any written comments provided by the Representative in connection with such Tax Returns.

(c) Transfer Taxes. All transfer, documentary, sales, use, value added, goods and services, gross receipts, excise, recording, conveyance, stamp, registration or other similar Taxes or fees (including any penalties and interest) ("Transfer Taxes") imposed in connection with this Agreement shall be paid by the Company Shareholders when due, and the Representative shall, at the expense of the Company Shareholders, file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes.

(d) Cooperation; Audits. In connection with the preparation of Tax Returns, audit examinations, and any proceedings relating to the Tax liabilities of the Company or any of its Subsidiaries for which an indemnification claim could be made pursuant to Article 10, Parent, Buyer and the Company, on the one hand, and the Representative and the Company Securityholders, on the other hand, shall cooperate fully with each other, including by furnishing or making available during normal business hours the records, personnel (as reasonably required), books of account, powers of attorney or other materials necessary or helpful for the preparation of such Tax Returns, the conduct of audit examinations or the defense of claims relating to such Taxes.

(e) Termination of Tax Sharing Agreements. Anything in any other agreement to the contrary notwithstanding, the Company and each of its Subsidiaries shall take all action necessary to cease and terminate any Tax allocation, sharing or indemnity agreement or arrangement (other than between the Company and any of its wholly-owned Subsidiaries) effective at the Closing, and all obligations thereunder shall terminate and no additional payments shall be made thereunder after the Closing, except with respect to any claims in effect as of such termination.

8.25 Directors' and Officers' Insurance.

(a) For a period of six (6) years following the Closing, Buyer or its successor shall, and Parent shall cause Buyer or its successor to, fulfill and honor in all respects the obligations of the Company pursuant to any indemnification provisions under applicable Law, the Articles of Association as in effect on the date hereof or pursuant to the indemnification agreements listed in Schedule 8.25 attached hereto (the "Indemnification Schedule"), insofar as such indemnification, advancement of expenses and exculpation for acts or omissions provisions relate to the directors and officers of the Company set forth in the Indemnification Schedule (such directors and officers being herein called the "Company Indemnitees"), regardless of whether any proceeding relating to any Company Indemnitee's rights to indemnification or advancement of expenses or to any such acts or omissions is commenced before or after the Closing. The rights of each Company Indemnitee shall be enforceable by each such Company Indemnitee or his or her heirs, personal representatives, successors or assigns. If any claim is made against or involves any Company Indemnitee on or prior to the sixth (6th) anniversary of the Closing, the provisions of this Section 8.25 shall continue in effect with respect to such claim until the final disposition thereof. The obligations of Parent, Buyer, the Company (following the Acquisition) or its successors under this Section 8.25 shall not be terminated, amended or otherwise modified in such a manner as to adversely affect any Company Indemnitee (or his or her heirs, personal representatives, successors or assigns) without the prior written consent of such Company Indemnitee (or his or her heirs, personal representatives, successors or assigns, as applicable). Notwithstanding the foregoing, the obligations of the Parent, Buyer and the Company (following the Acquisition) (i) shall be subject to any limitation imposed by applicable Law and (ii) shall not be deemed to release any Company Indemnitee who is also an officer or director of the Company from his or her obligations pursuant to this Agreement or any Related Agreement, nor shall such Company Indemnitee have any right of contribution, indemnification or right of advancement from Buyer or its successor or Parent with respect to any particular amount of Loss recoverable by any of the Indemnified Parties against such Company Indemnitee in his or her capacity as an Indemnifying Party pursuant to this Agreement or any Related Agreement. Notwithstanding the foregoing, Parent and Buyer shall have no obligation to maintain the existence of the Company for any specified period following the Closing.

(b) The Company shall purchase, prior to or concurrent with the Closing, a prepaid directors' and officers' liability insurance policy or policies (i.e., "tail coverage") for acts or omissions occurring prior to the Closing that will remain in effect for a period of six years after the Closing, the material terms of which, including coverage and amount, are comparable to those of the Company's current directors' and officers' liability insurance policy (copies of which have been delivered by the Company to Parent and its representatives prior to the date hereof). Parent shall cooperate in good faith with the Company Indemnitees to use the tail coverage with respect to claims relating to acts or omissions occurring prior to the Closing.

8.26 Termination or Waiver of Company Shareholders Rights. Each Executing Shareholder, by execution of this Agreement, hereby, on behalf of himself, herself or itself, and on behalf of each other Company Shareholder (a) waives, conditional upon and effective as of the Closing, and terminates, as of and contingent upon the Closing, any rights of first refusal, rights to any liquidation preference, redemption rights and rights of notice, including but not limited to those set forth in the Company Organizational Documents, the Amended and Restated Purchasers Rights Agreement, dated June 11, 2013, as amended on July 31, 2013, by and among the Company, the Founders, holders of Company Ordinary Shares and the Purchasers (each as defined therein) (the "IRA") and (b) terminates, conditional upon and effective as of the Closing, the IRA.

8.27 Further Assurances. Each of Parent, Buyer, the Company and the Company Shareholders, at the request of the other party or parties (as the case may be), shall execute and deliver such other certificates,

instruments, agreements and other documents, and do and perform such other acts and things, as may be reasonably necessary or desirable for purposes of effecting completely the consummation of the Acquisition and the other transactions contemplated hereby.

8.28 Founder Employment. Netanel Davidi hereby agrees that he will not spend more than 170 days in the United States during calendar year 2014. Parent and Buyer agree that each, and any affiliate thereof, will not require Netanel Davidi to spend more than 170 days in the United States during calendar year 2014. Each of Netanel Davidi, Parent, Buyer and the Company hereby agree that without the prior written consent of the Representative (a) the Founder Note shall not be amended or modified (except with the written instructions of the Representative) and (b) no payment under the Founder Note shall be forgiven. Parent and Buyer hereby covenant and agree that neither the Company nor any of its successors or assigns shall transfer the Founder Note to any Person other than a non-United States affiliate of Parent.

ARTICLE 9

PRE-CLOSING TERMINATION, AMENDMENT AND WAIVER

9.1 Termination.

Except as provided in Section 9.2, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

(a) by mutual written agreement of Parent, Buyer and the Company;

(b) by Parent, Buyer or the Company, if the Closing Date shall not have occurred by May 21, 2014; *provided*, *however*, that the right to terminate this Agreement under this Section 9.1(b) shall not be available to any party who is in breach of this Agreement or whose action or failure to act has materially contributed to or resulted in the failure of the Acquisition to occur on or before such date and such action or failure to act constitutes a breach of this Agreement;

(c) by Parent or Buyer, or the Company if any Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, or final and non-appealable injunction, order or other legal restraint that is in effect and that, after consultation with counsel, has the effect of making the Acquisition illegal;

(d) by Parent or Buyer, if there shall be any action taken, or any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the Acquisition by any Governmental Authority, which would, after consultation with counsel, constitute an Action of Divestiture;

(e) by Parent or Buyer, if they are not in material breach of their obligations under this Agreement and there has been a breach of any representation, warranty, covenant or agreement of the Company or a Company Securityholder contained in this Agreement or any Related Agreement such that the conditions set forth in Section 3.3(b)(i) would not be satisfied and such breach has not been cured within twenty (20) calendar days after written notice thereof to the Company; *provided*, *however*, that no cure period shall be required for a breach which by its nature cannot be cured; or

(f) by the Company, if the Company is not in material breach of its obligations under this Agreement and there has been a breach of any representation, warranty, covenant or agreement of Parent or Buyer contained in this Agreement such that the conditions set forth in Section 3.3(d)(i) would not be satisfied and such breach has not been cured within twenty (20) calendar days after written notice thereof

to Parent and Buyer; *provided*, *however*, that no cure period shall be required for a breach which by its nature cannot be cured.

9.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 9.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Parent, Buyer, the Company, their respective officers, directors or stockholders, or any Company Shareholder; *provided*, *however*, that notwithstanding any termination of this Agreement, following any termination of this Agreement in accordance with its terms, any party hereto shall remain liable thereafter for any fraud or any intentional misrepresentation or intentional breach of this Agreement that occurred prior to such termination; *provided*, *however*, that each party hereto and each Person shall remain liable for any breaches of this Agreement or any Related Agreements prior to its termination; and *provided further*, *however*, that, the provisions of Section 8.12 (Confidentiality), Section 8.13 (Public Announcement), Section 8.15 (Fees and Expenses), this Section 9.2 and Article 11 shall remain in full force and effect and survive any termination of this Agreement pursuant to the terms of this Article 9.

9.3 Amendment. This Agreement may be amended by the parties hereto at any time by execution of an instrument in writing signed on behalf of the party against whom enforcement is sought. For purposes of this Section 9.3, the Indemnifying Parties agree that any amendment of this Agreement signed by the Representative shall be binding upon and effective against the Indemnifying Parties whether or not they have signed such amendment. Notwithstanding the foregoing, a Company Shareholder may become a party to this Agreement, without the consent of the other parties hereto, by the execution and delivery by such Company Shareholder of a signature page to this Agreement whereupon such Company Shareholder shall for all purposes hereunder be deemed to be a "Contributing Securityholder."

9.4 Extension; Waiver. At any time prior to the Closing, Parent and Buyer, on the one hand, and the Company and the Representative, on the other hand, may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations of the other party hereto, (b) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the covenants, agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. For purposes of this Section 9.4, the Indemnifying Parties agree that any extension or waiver signed by the Representative shall be binding upon and effective against all Indemnifying Parties whether or not they have signed such extension or waiver. No delay or failure by any party to assert any of its rights or remedies shall constitute a waiver of such rights or remedies.

ARTICLE 10

POST-CLOSING INDEMNIFICATION

10.1 Survival of Representations and Warranties.

(a) The representations and warranties of the Company and the Contributing Securityholders contained in this Agreement or the Closing Certificates shall survive until the date that is twenty-four (24) months after the Closing Date (the date of expiration of such twenty-four (24)-month period, the "Survival Date"); *provided*, *however*, that, in the event of the fraudulent or willful breach of any representation or warranty of the Company contained in this Agreement or the Certificates, such representation or warranty shall survive without limitation; *provided further*, *however*, that (i) the representations and warranties of the Company contained in Section 4.12 (Intellectual Property) and in Section 4.7 (Financial Statements) shall survive the Closing and shall remain in full force and effect until

the thirty-six (36)-month anniversary of the Closing, (ii) the representations and warranties of the Company contained in Section 4.10 (Taxes) shall survive the Closing and shall remain in full force and effect until 90 days after the expiration of the applicable statute of limitations in respect of Taxes addressed by any such representation and warranty and (iii) the representations and warranties (x) of the Contributing Securityholders in this Agreement and (y) of the Company set forth in (A) Section 4.1 (Organization and Good Standing), (B) Section 4.2 (Authority and Enforceability), (C) Section 4.4 (No Conflicts) and (D) Section 4.5 (Capitalization) shall survive the Closing and shall remain in full force and effect in perpetuity and without limitation (the survival period of each such representation and warranty, as applicable, being referred to herein as the "Survival Period"), regardless of any investigation or disclosure made by or on behalf of any of the parties hereto (such representations and warranties of the Contributing Securityholders and of the Company set forth in Sections 4.1, 4.2, 4.4, 4.5, 4.7 and 4.10 being referred to hereinafter as the "Surviving Representations"). The representations and warranties of Parent and Buyer contained in this Agreement, the Related Agreements or in any certificate or other instrument delivered pursuant to this Agreement shall terminate at the Closing. In the event that an Officer's Certificate asserting a breach of a representation or warranty is delivered before the date on which such representation or warranty ceases to survive (in the case of the representations and warranties that survive until the Survival Date, which survival period is not being extended beyond the Survival Date by this parenthetical, such delivery may be made before 5:00 p.m., local time, at Parent's corporate headquarters in California on the date that is five (5) Business Days after the Survival Date (the "Escrow Release Date")), then the claims arising in connection with such Officer's Certificate shall survive for the benefit of all Indemnified Parties beyond the expiration of the applicable survival period for such representation or warranty, until such claim is settled or otherwise determined in accordance with the provisions of this Article 10.

(b) All of the covenants or other agreements of the parties hereto contained in this Agreement shall survive until fully performed or fulfilled, unless and to the extent only that non-compliance with such covenants or agreements is waived in writing by the party entitled to such performance. Notwithstanding the foregoing, (i) the Indemnified Parties (as defined below) shall not be entitled to indemnification with respect to any breach by the Company following the Closing, and (ii) except in the case of willful breach, the Indemnified Parties may not make any claim for breach of a covenant that by its nature is required to be performed by or prior to the expiration of the Survival Period after the Escrow Release Date; *provided*, *however*, that in the event that an Officer's Certificate asserting breach of any such covenant is delivered before the Escrow Release Date, then the claims arising in connection with such Officer's Certificate shall survive for the benefit of all Indemnified Parties beyond the expiration of the Escrow Release Date with respect to such covenant, until such claim is settled or otherwise resolved in accordance with the provisions of this Article 10.

10.2 Indemnification.

(a) Subject to the provisions of this Article 10, from and after the consummation of the Acquisition, each of the Contributing Securityholders (each, an "Indemnifying Party" and collectively, the "Indemnifying Parties") agrees to, severally (based on such Indemnifying Party's Pro Rata Share of each Loss covered by this Section 10.2(a)) and not jointly, indemnify and hold harmless Parent, Buyer each of their Subsidiaries (including, following the Closing, the Company and its Subsidiaries), their respective affiliates and the respective officers, directors, employees, agents and representatives of Parent, Buyer each of their Subsidiaries (including, following the Closing, the Company and its Subsidiaries) and their respective affiliates (collectively, the "Indemnified Parties"), against, without duplication, all claims, actions, proceedings, losses, liabilities, damages, costs, interest, awards, judgments, penalties and expenses, including reasonable attorneys', and expenses and including any such reasonable out-of-pocket fees and expenses (including fees and expenses of third party consultants retained for such purpose) incurred in connection

with investigating, defending against or settling any of the foregoing and any Taxes incurred as a result of the foregoing, but excluding any of the foregoing arising solely from (i) (a) special circumstances of Parent or Buyer that the Company could not foresee or (b) special circumstances of Parent or Buyer of which the Company has no Knowledge or (ii) Parent or Buyer's failure to mitigate any of the foregoing as required by applicable Law (hereinafter individually a "Loss" and collectively, "Losses"), incurred or sustained by the Indemnified Parties or any of them (including the Company and its Subsidiaries following the Closing), resulting from, or arising out of any of the following (the "Indemnifiable Matters"):

(i) any failure of a representation or warranty of the Company or any Company Securityholder contained in this Agreement, the Escrow Agreement or in the Certificates to be true and correct in all respects in accordance with their terms;

(ii) subject to Section 10.1(b), any failure by the Company or any Company Securityholder to perform or comply with any covenant, agreement or any other provision applicable to the Company or any Company Securityholder contained in this Agreement, the Escrow Agreement or in the Certificates;

(iii) in the event the Adjusted Net Cash Amount calculated as of the Closing (the "Closing Adjusted Net Cash Amount") is less than the Adjusted Net Cash Amount set forth in the Adjusted Net Cash Amount Certificate and the Closing Adjusted Net Cash Amount is less than zero (0), then the lesser of (A) the absolute value of the Closing Adjusted Net Cash Amount and (B) the amount by which the Closing Adjusted Net Cash Amount is less than the Adjusted Net Cash Amount set forth in the Adjusted Net Cash Amount Certificate;

(iv) any Transaction Expenses of the Company not repaid prior to or concurrently with the Closing (other than Transaction Expenses to the extent taken into account in the calculation of the Adjusted Net Cash Amount);

(v) any Indebtedness not repaid prior to or concurrently with the Closing (other than Indebtedness to the extent taken into account in the calculation of the Adjusted Net Cash Amount);

(vi) any Current Accounts Receivable that were included in the calculation of the Adjusted Net Cash Amount that are not received by Parent within the ninety (90) day period commencing on the Closing Date;

(vii) any claims or threatened claims by or purportedly on behalf of any holder or former holder of any shares of Company Securities or rights or purported rights to acquire Company Securities or other equity interests in the Company (or the economic value thereof), or in connection with the Acquisition or any of the other transactions contemplated hereby, including (1) claims arising under Contracts to which any such holder in its capacity as such is a party or by which it is bound, or (2) claims alleging violations of fiduciary duty;

(viii) any inaccuracy or omission in the Payment Spreadsheet, including any amounts set forth therein that are paid to a Person in excess of the amounts that such Person is entitled to receive pursuant to the terms of this Agreement or any amounts that a Person was entitled to receive pursuant to the terms of this Agreement that were omitted from the Payment Spreadsheet;

(ix) any claim or threatened claim by any actual or purported Contributing Securityholder relating to any alleged action or failure to act on its behalf by the Representative or asserting

any right to receive such Contributing Securityholder's Pro Rata Share of the Escrow Amount on an accelerated basis rather than in accordance with the terms of this Article 10 or the Escrow Agreement;

(x) any Liabilities relating to or arising out of any "excess parachute payments" within the meaning of Section 280G of the Code;

(xi) any fraud by the Company or Company Securityholders in connection with, or any willful breach of, this Agreement or the Certificates;

(xii) any payment or consideration arising under any consents, notices, waivers, terminations, modifications or approvals of any party under any Contract as are required in connection with the Acquisition or for any such Contract to remain in full force or effect following the Closing;

(xiii) any unpaid Pre-Closing Taxes, except to the extent included as Liabilities on the Adjusted Net Cash Amount Certificate;

(xiv) those matters set forth on Schedule 10.2(a)(xiv) hereto; or

(xv) the matter set forth on Schedule 10.2(a)(xv) hereto.

(b) Notwithstanding Section 10.1(b), Section 10.2(a), Section 10.3(a) or anything else in this Agreement to the contrary, (i) nothing in this Agreement shall limit the liability of any Person who commits fraud or willfully breaches, or has actual knowledge of any fraud or willful breach of the Company in connection with, this Agreement, the Escrow Agreement, the Certificates or the transactions contemplated hereby and thereby for any Losses incurred or sustained by the Indemnified Parties or any of them (including the Company) as a result of any such fraud or such willful breach; (ii) none of the Indemnified Parties' legal claims arising out of any such fraud or willful breach shall be limited or waived by this Article 10 or this Agreement with respect to any Person committing such fraud or such willful breach or having actual knowledge of the Company's fraud or willful breach; and (iii) none of the Indemnified Parties' equitable claims arising out of any fraud or any willful breach shall be limited or waived by this Article 10 or this Agreement.

(c) For the purpose of this Article 10 only, solely when determining the amount of Losses suffered (but not whether a breach, inaccuracy or failure has occurred) by an Indemnified Party as a result of any breach or inaccuracy of a representation or warranty of the Company or any failure by the Company or any Indemnifying Party to perform or comply with any covenant or agreement applicable to it that is qualified or limited in scope as to materiality, dollar amount (in the case of Material Contracts), Company Material Adverse Effect or Knowledge, such representation, warranty, covenant or agreement shall be deemed to be made without such qualification or limitation.

(d) The Indemnifying Parties shall not have any right of contribution, indemnification or right of advancement from Parent, Buyer or, following the Closing, the Company and its Subsidiaries with respect to any Loss claimed by an Indemnified Party.

10.3 Maximum Payments; Remedy.

(a) No claim for indemnification may be made under Section 10.2(a)(i) (other than recovery under Section 10.2(a)(i) for any breach or inaccuracy of the Surviving Representations, or any fraud in connection with, or any willful breach of, any representation or warranty of the Company or Company Shareholders contained in this Agreement, the Escrow Agreement or the Certificates or under Section 10.2

(a)(iii)) unless and until the aggregate amount of Losses of the Indemnified Parties that may be claimed thereunder (together with any Losses that may be claimed under any other subsection of Section 10.2(a)) exceeds $100,000 (the "Threshold"), and once such Threshold has been reached, the Indemnifying Parties shall be liable to the Indemnified Parties for the full amount of all Losses, including those that comprised any portion of the Threshold.

(b) Subject to Section 10.2(b), the maximum aggregate amount that the Indemnified Parties may recover from each Indemnifying Party for Losses in respect of the Indemnifiable Matters described in Section 10.2(a)(i) shall be limited as follows:

(i) with respect to such Indemnifiable Matters other than those set forth in clauses (ii) and (iii) of this Section 10.3(b), to such Indemnifying Party's Pro Rata Share of the Escrow Fund.

(ii) with respect to such Indemnifiable Matters to the extent they arise from any breach or inaccuracy of the Surviving Representations, to such Indemnifying Party's Pro Rata Share of the Total Consideration received by the Indemnifying Parties from Parent, Buyer and their respective affiliates.

(iii) with respect to such Indemnifiable Matters to the extent they arise from any breach or inaccuracy of the representations and warranties of the Company contained in Section 4.12 (Intellectual Property), collectively with any other indemnification the recovery for which is limited pursuant to Section 10.3(b)(i) and Section 10.3(d), to such Indemnifying Party's Pro Rata Share of thirty-five percent (35%) of the Total Consideration, without duplication (inclusive of any amounts paid with respect to any Losses claimed under Section 10.2(a)(i)), on a Pro Rata Basis among all Contributing Securityholders.

(c) Subject to Section 10.2(b), the maximum aggregate amount that the Indemnified Parties may recover from each Indemnifying Party for Losses in respect of the Indemnifiable Matters described in Section 10.2(a)(vii)-10.2(a)(ix), Section 10.2(a)(xi), Section 10.2(a)(xiii) and Section 10.2(a)(xv), to such Indemnifying Party's Pro Rata Share of the Total Consideration, received by the Indemnifying Parties from Parent, Buyer and their respective affiliates.

(d) Subject to Section 10.2(b), the maximum aggregate amount that the Indemnified Parties may recover from each Indemnifying Party for Losses in respect of the Indemnifiable Matters described in Section 10.2(a)(ii)-10.2(a)(vi), Section 10.2(a)(x) and Section 10.2(a)(xii) and Section 10.2(a)(xiv), to such Indemnifying Party's Pro Rata Share of the Escrow Fund.

(e) Subject to Section 10.2(b), Section 10.3(g) and Section 10.3(h), Parent's and Buyer's indemnification rights pursuant to Article 10 shall constitute the sole and exclusive remedy of the Indemnified Parties for all Losses that are to be indemnified by the Indemnifying Parties hereunder, under the Escrow Agreement, or the Certificate.

(f) If an Indemnified Party's claim under this Article 10 may be brought under different sections of Section 10.2(a), then such Indemnified Party shall have the right to bring such claim under any applicable section it chooses in accordance with this Article 10, *provided*, *however*, that no Indemnified Party shall be entitled to recover from an Indemnifying Party more than once.

(g) Nothing in this Article 10 shall limit the liability of the Company for any breach of any representation, warranty, covenant or agreement contained in this Agreement, the Escrow Agreement or any Certificate if the Acquisition is not consummated.

(h) Nothing in this Agreement shall limit the right of any Indemnified Party or Parties to pursue remedies under any Related Agreement (other than the Escrow Agreement or any Certificate) against the parties thereto.

(i) Notwithstanding anything to the contrary set forth in this Agreement, nothing in this Agreement shall limit the rights or remedies of Parent, Buyer or any other Indemnified Party against another Indemnifying Party in connection with (i) any fraud in connection with, or any willful breach of, this Agreement or the Certificates committed by such Indemnifying Party; (ii) the Related Agreements (other than the Escrow Agreement or any Certificate), executed by such Indemnifying Party; or (iii) seeking any equitable remedies against such Indemnifying Party. Subject to Section 10.2(b), no Indemnifying Party shall have any liability with respect to the representations, warranties, covenants and agreements made by any other Indemnifying Party other than the Company or Losses that result from fraud by another Contributing Shareholder.

(j) Notwithstanding anything to the contrary contained herein, other than with respect to claims based on the fraud or willful breach of a specific Contributing Securityholder or a specific Contributing Stockholder's actual knowledge or fraud or willful breach by the Company or as otherwise expressly provided in Section 10.2(b), no Contributing Securityholder shall be liable for more than such Contributing Securityholder's Pro Rata Share of the Total Consideration received by such Contributing Securityholder from Parent, Buyer or their respective affiliates.

10.4 Claims for Indemnification; Resolution of Conflicts

(a) Making a Claim for Indemnification; Officer's Certificate. An Indemnified Party may seek recovery of Losses pursuant to this Article 10 by delivering to the Representative an Officer's Certificate in respect of such claim. The date of such delivery of an Officer's Certificate is referred to herein as the "Claim Date" of such Officer's Certificate (and the claims for indemnification contained therein). For purposes hereof, "Officer's Certificate" shall mean a certificate signed by any officer of an Indemnified Party (or, in the case of an Indemnified Party who is an individual, signed by such individual): (i) stating that an Indemnified Party has paid, sustained, incurred, or accrued, or reasonably anticipates that it will have to pay, sustain, incur or accrue Losses and including, to the extent reasonably practicable, a non-binding, preliminary estimate of the amounts of such Losses; and (ii) specifying in reasonable detail, to the extent known, the individual items of Losses included in the amount so stated, the date each such item was paid, sustained, incurred, or accrued, or the basis for such anticipated liability, and the nature of the Indemnifiable Matter to which such item is related and a good faith non-binding, preliminary estimate of the amount which such Indemnified Party claims to be entitled to receive hereunder, which shall be the amount of Losses such Indemnified Party claims to have so incurred or suffered; *provided*, *however*, that the Officer's Certificate (A) need only specify such information to the knowledge of such officer or such Indemnified Party as of the Claim Date, and (B) may be updated and amended from time to time by the Indemnified Party, if the Indemnifying Party becomes aware of any new facts, which are relevant to the applicable indemnification claim, and which were not known to the Indemnified Party as of the Claim Date, by delivering an updated or amended Officer's Certificate to the Representative or applicable Indemnifying Parties, as the case may be.

(b) Objecting to a Claim for Indemnification.

(i) The Representative may object to a claim for indemnification set forth in an Officer's Certificate by delivering to the Indemnified Party seeking indemnification a written statement of objection to the claim made in the Officer's Certificate (an "Objection Notice"); *provided*, *however*, that,

to be effective, such Objection Notice must (A) be delivered to the Indemnified Party prior to 5:00 p.m. (California time) on the thirtieth (30th) day following the Claim Date of the applicable Officer's Certificate (such deadline, the "Objection Deadline" for such Officer's Certificate and the claims for indemnification contained therein) and (B) set forth in reasonable detail the nature of the objections to the claims in respect of which the objection is made.

(ii) To the extent that the Representative does not object in writing (as provided in Section 10.4(b)(i)) to the claims contained in an Officer's Certificate prior to the Objection Deadline for such Officer's Certificate, such failure to so object shall be an irrevocable acknowledgment by the Representative (or the applicable Indemnifying Parties, as the case may be) that the Indemnified Party is entitled to the full amount of the claims for Losses set forth in such Officer's Certificate (and such entitlement shall be conclusively and irrefutably established) with respect to the applicable parties against the applicable Indemnifying Parties (any such claim, an "Unobjected Claim"). Within thirty (30) days of a claim becoming an Unobjected Claim, the Indemnifying Parties shall make the applicable payment to such Indemnified Party, subject to Sections 10.3(a), 10.3(b) and 10.4(e).

(c) Resolution of Conflicts.

(i) In case the Representative timely delivers an Objection Notice in accordance with Section 10.4(b)(i) hereof, the Representative (or such objecting Indemnifying Party) and the Indemnified Parties shall attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims. If the Representative (or the objecting Indemnifying Parties) and the Indemnified Parties reach an agreement, a memorandum setting forth such agreement shall be prepared and signed by all applicable parties (any claims covered by such an agreement, "Settled Claims"). Any amounts required to be paid as a result of a Settled Claim shall be paid by the Indemnifying Parties to the Indemnified Parties pursuant to the Settled Claim within thirty (30) days of the applicable claim becoming a Settled Claim, subject to Sections 10.3(a), 10.3(b) and 10.4(e).

(ii) If no such agreement can be reached after good faith negotiation prior to forty-five (45) days after delivery of an Objection Notice, then upon the expiration of such forty-five (45) day period Parent, Buyer or the Representative (or the objecting Indemnifying Party) may submit any such dispute for resolution pursuant to the provisions of Section 11.9. Judgment upon any award rendered pursuant to the provisions of Section 11.9 may be entered in any court having jurisdiction. Claims determined pursuant to the provisions of Section 11.9 are referred to herein as "Resolved Claims."

(d) Payable and Unresolved Claims. A "Payable Claim" shall mean a claim for indemnification of Losses under this Article 10, to the extent that such claim has not yet been satisfied by cash payment or by release to the Indemnified Party of funds from the Escrow Fund, that is (i) a Resolved Claim, (ii) a Settled Claim or (iii) an Unobjected Claim. An "Unresolved Claim" shall mean any claim for indemnification of Losses under this Article 10 specified in any Officer's Certificate delivered pursuant to Section 10.4(a), to the extent that such claim is not a Payable Claim and has not been satisfied by cash payment or release to the Indemnified Party of funds from the Escrow Fund.

(e) Payment of Indemnification Claims from Escrow Fund; Distribution of the Escrow Fund.

(i) Subject to Sections 10.4(a), (b) and (c) above, by virtue of this Agreement and as partial security for the indemnity obligations provided for in Article 10, subject to the terms of this Agreement, the Indemnified Parties shall have the right (but not the obligation), in the manner provided in

this Section 10.4(e)(i), to recover the amount of any Losses with respect to which the Indemnified Parties are entitled to indemnification hereunder by the release of funds from the Escrow Fund.

(ii) Notwithstanding anything to the contrary set forth in this Agreement or the Escrow Agreement, each of Parent and Buyer is hereby authorized at any time and from time to time to set off any and all Payable Claims against the Escrow Fund without the consent of the Representative.

(iii) If the amounts held in the Escrow Fund are reduced pursuant to Section 10.3 or Section 10.4 or the Escrow Agreement, Parent and Buyer shall be entitled to permanently retain such amounts. Notwithstanding anything to the contrary set forth in this Agreement, all claims for indemnification by an Indemnified Party for Losses pursuant to this Agreement, the Escrow Agreement and the Certificates shall be satisfied (i) first, from the Escrow Fund so long as the amount in the Escrow Fund is greater than zero, and (ii) second, against the Indemnifying Parties directly not exceeding such Indemnifying Party's Pro Rata Share of such Losses and subject to the limitations set forth in this Article 10, but only to the extent that such Losses cannot be recovered from the Escrow Fund; *provided*, *however*, that claims or recoveries in respect of any fraud in connection with, or any willful breach of, this Agreement, the Escrow Agreement or the Certificates may be made in the sole and absolute discretion of the Indemnified Parties either from the Escrow Fund or directly against the Indemnifying Parties rather than from the Escrow Fund; *provided*, *further*, to the extent an Indemnified Party recovers any amounts in connection therewith such recovered amounts shall not reduce the amount the Indemnified Parties may recover with respect to any other Indemnifiable Matters.

(iv) Promptly after the Survival Date, Parent or Buyer will notify the Representative in writing of the amount retained to satisfy all claims for indemnification that have been asserted pursuant to a valid Officer's Certificate, but not resolved on or prior to 11:59 p.m. (California time) on the Survival Date (each such claim a "Continuing Claim" and such amount, the "Retained Escrow Amount"). On the Escrow Release Date, an amount equal to (i) the amount held in the Escrow Fund as of the Survival Date (as reduced from time to time pursuant to the terms of this Agreement) *minus* (ii) an amount equal to the Retained Escrow Amount, shall be transferred and delivered to the Indemnifying Parties with each Indemnifying Party to receive a portion thereof equal to the product obtained by *multiplying* (A) the amount to be distributed *by* (B) such Indemnifying Party's Pro Rata Share. Following the Escrow Release Date, after resolution and payment of a Continuing Claim any amounts remaining in the Escrow Fund with respect to such resolved and paid Continuing Claim (other than amounts retained to satisfy other Continuing Claims, which shall be retained in the Escrow Fund until resolution of the applicable Continuing Claim, shall be released promptly thereafter in accordance with the provisions of the Escrow Agreement and the Holdback Agreement, as the case may be), shall promptly be transferred and delivered to the Company Shareholders in an amount with respect to each Company Shareholders equal to the product obtained by *multiplying* (A) the amount to be distributed *by* (B) such Indemnifying Party's Pro Rata Share. The distributions provided in this Section 10.4(e)(iv) are subject to the terms of Section 10.6(b), the Holdback Agreement and the Escrow Agreement. Upon any distribution from the Escrow Fund, the Representative shall provide Parent, Buyer and the Escrow Agent with payment delivery instructions for the payments to be made from the Escrow Fund to each Indemnifying Party and Parent and Buyer will be entitled to rely on such instructions for purposes of satisfying its obligation to distribute the Escrow Amount to the Indemnifying Parties.

(v) Any amounts payable to the Indemnifying Parties pursuant to clause (iii) above (A) shall be rounded to the nearest one hundredth (0.01) of a Dollar (with amounts 0.005 and above rounded up) and (B) if subject to applicable Tax withholding shall be transferred to the Paying Agent prior to distribution and Paying Agent will then deduct the appropriate Tax withholding amounts and distribute

net funds to the applicable Indemnifying Party. If the sum of the final amounts payable to the Indemnifying Parties, rounded as a result of the preceding sentence, does not equal the remaining Escrow Amount, then the appropriate amount will be added or subtracted from the Indemnifying Party with the greatest Pro Rata Share, such that the sum of such final amounts does equal the remaining Escrow Amount.

(f) Treatment of Indemnification Payments. The Indemnifying Parties, the Representative, Parent and Buyer agree to treat (and cause their affiliates to treat) any payments received pursuant to Section 10.2 as adjustments to the Total Consideration for all Tax purposes, to the maximum extent permitted by Law.

10.5 Third Party Claims. In the event Parent or Buyer becomes aware of a third party claim (a "Third Party Claim") which Parent or Buyer reasonably believe may result in a claim for indemnification pursuant to this Section 10.5, Parent or Buyer shall promptly notify the Representative in writing of such claim, and the Representative shall be entitled on behalf of the Indemnifying Parties, at their expense, to participate in, but not to determine or conduct, the defense of such Third Party Claim. No delay in providing such notice shall affect an Indemnified Parties' rights hereunder unless (and then only to the extent that) the Representative or the Contributing Securityholders are prejudiced thereby. Parent and Buyer shall have the right in their respective discretion to conduct the defense of, and to settle, any such claim (it being understand that, without limiting Parent's and Buyer's discretion to determine strategy with respect to such claim, Parent and Buyer shall on an overall basis defend such claim with reasonable diligence and in good faith) and the Representative shall not be entitled to participate in any negotiation of settlement, adjustment or compromise with respect to any such Third Party Claim; *provided*, *however*, that Parent and Buyer may not settle any Third Party Claim without the prior written consent of the Representative (which consent not to be unreasonably withheld, delayed or conditioned); *provided further*, *however*, that the consent of the Representative with respect to any settlement of any such Third Party Claim shall be deemed to have been given unless the Representative shall have objected within thirty (30) days after a written request for such consent by Parent. In the event that the Representative has consented to any such settlement, adjustment or compromise, the Indemnifying Parties or the consenting Indemnifying Parties, as applicable, shall have no power or authority to object under any provision of this Section 10.5 to the amount of such settlement, adjustment or compromise constituting a Payable Claim.

10.6 Representative. Each of the Indemnifying Parties hereby appoints the Representative as his, her or its true and lawful agent, proxy and attorney-in-fact, to execute and deliver this Agreement and the Escrow Agreement on their behalf and exercise all or any of the powers, authority and discretion conferred on him or her under this Agreement.

(a) Powers of the Representative.

(i) The Representative shall have and may exercise all of the powers conferred upon it pursuant to this Agreement and the Escrow Agreement, which shall include:

(A) The power to execute any agreement or instrument in connection with the transactions contemplated hereby for and on behalf of the Indemnifying Parties, including this Agreement and the Escrow Agreement;

(B) The power to give or receive any notice or instruction permitted or required under this Agreement or the Escrow Agreement, or any other agreement, document or instrument entered into or executed in connection herewith, to be given or received by any Indemnifying Party, and each of them (other than notice for service of process relating to any Action before a court or other tribunal of competent jurisdiction, which notice must be given to each Indemnifying Party individually, as applicable),

and to take any and all action for and on behalf of Indemnifying Parties, and each of them, under this Agreement, the Escrow Agreement or any other such agreement, document or instrument;

(C) The power (subject to the provisions of Section 10.6(a) hereof) to contest, negotiate, defend, compromise or settle any indemnification claims or Actions for which an Indemnified Party may be entitled to indemnification through counsel selected by the Representative and solely at the cost, risk and expense of the Indemnifying Parties, authorize payment to any Indemnified Party of any of the Escrow Fund, or any portion thereof, in satisfaction of any indemnification claims, agree to, negotiate, enter into settlements and compromises of, and demand arbitration and comply with orders of courts and awards of arbitrators with respect to such indemnification claims, resolve any indemnification claims, take any actions in connection with the resolution of any dispute relating hereto or to the transactions contemplated hereby by arbitration, settlement or otherwise, and take or forego any or all actions permitted or required of any Indemnifying Party or necessary in the judgment of the Representative for the accomplishment of the foregoing and all of the other terms, conditions and limitations of this Agreement and the Escrow Agreement;

(D) The power to consult with legal counsel, independent public accountants and other experts selected by it, solely at the cost and expense of the Indemnifying Parties;

(E) The power to review, negotiate and agree to and authorize any payments from the Escrow Fund in satisfaction of any payment obligation, in each case, on behalf of the Indemnifying Parties, as contemplated thereunder;

(F) The power to waive any terms and conditions of this Agreement or the Escrow Agreement providing rights or benefits to the Indemnifying Parties (other than the payment of the Total Consideration in accordance with the terms hereof and in the manner provided herein); and

(G) The power to take any actions contemplated hereunder or under the Escrow Agreement and otherwise in regard to such other matters as are reasonably necessary for the consummation of the transactions contemplated hereby and in the Escrow Agreement or as the Representative reasonably believes are in the best interests of the Indemnifying Parties;

provided, *however*, that notwithstanding the foregoing or anything to the contrary set forth herein, the powers conferred above shall not authorize or empower the Representative to do or cause to be done any of the foregoing (i) in a manner that improperly discriminates between or among the Indemnifying Parties; or (ii) as to any matter insofar as such matter relates solely and exclusively to a single Indemnifying Party, whereupon the Representative may appoint the Indemnifying Party who is alleged to be in breach to handle all matters related to such indemnification claim on behalf of the Representative, and all references to the Representative in such event shall include also such Indemnifying Party. Without implying that other actions would constitute an improper discrimination, each of the Indemnifying Parties agrees that discrimination between or among Indemnifying Parties solely on the basis of the respective number of Company Securities held by each Indemnifying Party or their respective Pro Rata Shares shall not be deemed to be improper. Further, notwithstanding anything herein to the contrary, the Representative shall not be entitled to, and shall not, including by way of amending or waiving any provision hereof, take any action on behalf of any Indemnifying Party that would or could (i) cause any Indemnifying Party's liability hereunder to exceed its portion of the Escrow Amount, (ii) result in the amounts payable hereunder to any Indemnifying Party being distributed in any manner other than as set forth in this Agreement and the Escrow Agreement, or (iii) result in an increase of any Indemnifying Party's indemnity or other obligations or liabilities under this Agreement (including,

for the avoidance of doubt, any change to the nature of the indemnity obligations), without (in each case) such Indemnifying Party's prior written consent.

(b) Representations of Representative. The Representative hereby represents and warrants to Parent and Buyer as follows:

(i) The Representative has all necessary power and authority to execute and deliver this Agreement and the Escrow Agreement and to carry out his, her or its obligations hereunder and thereunder.

(ii) This Agreement has been duly executed and delivered by the Representative and, assuming the due authorization, execution and delivery of this Agreement by Buyer and the Company, constitutes the valid and legally binding obligation of the Representative, enforceable against the Representative in accordance with its terms, subject to bankruptcy, insolvency, reorganization or similar laws of general application affecting the rights and remedies of creditors, and to general equity principles and to the laws of agency.

(iii) The Escrow Agreement will be duly executed and delivered by the Representative and, assuming the due authorization, execution and delivery of the Escrow Agreement by Buyer and the Escrow Agent, constitute a legal, valid and binding obligation of the Representative, enforceable against the Representative in accordance with its terms, subject to bankruptcy, insolvency, reorganization or similar laws of general application affecting the rights and remedies of creditors, and to general equity principles and to the laws of agency.

(c) Representative Procedures Upon Receipt of Indemnification Claims.

(i) Upon receipt or notice of any Officer's Certificate, the Representative shall give prompt notice of the amount and details thereof (to the extent of the information in his or her possession) to the Indemnifying Parties who sign that certain Engagement Letter to be entered into by and among the Representative, the Company and certain of the Indemnifying Parties. As soon as possible thereafter, the Representative shall notify such Indemnifying Parties of the proposed action which the Representative recommends shall be taken in response to such Officer's Certificate.

(ii) Any action taken by the Representative, including authorizing the distribution to any Indemnified Party of any portion of the Escrow Fund, subject to the limitations of Section 10.6(a), shall be binding upon the Company Securityholders vis-à-vis Parent and Buyer for all intents and purposes.

(d) Notices. Except to the extent that this Agreement requires that a notice be made to an Indemnifying Party, any notice given to the Representative will constitute notice to each and all of the Indemnifying Parties at the time notice is given to the Representative. Any action taken by, or notice or instruction received from, the Representative will be deemed to be action by, or notice or instruction from, each and all of the Indemnifying Parties. Except as otherwise contained herein or in the Escrow Agreement, Buyer and the Company may, and the Escrow Agent will, disregard any notice or instruction received from any one or more individual Indemnifying Parties.

(e) Agreement of the Representative. The Representative hereby agrees to do such acts, and execute further documents, as shall be necessary to carry out the provisions of this Agreement and the Escrow Agreement.

(f) Reimbursement and Liability of Representative.

(i) At the Closing, the Representative Expense Amount shall be deducted from the amounts due to each holder of Company Shares pursuant to Section 2.1(b), the amounts payable in respect of Vested Company Options pursuant to Section 2.2(a) and amounts payable in respect of Vested Promised Options pursuant to Section 2.2(c) and transferred to the Representative to be held as agent and for the benefit of the Indemnifying Parties in a segregated client account, as an expense fund to pay directly, or reimburse the Representative for, such reasonable out-of-pocket expenses incurred by the Representative in the performance of his or her duties hereunder. The Indemnifying Parties acknowledge that the Representative is not providing any investment supervision, recommendations or advice. The Representative shall have no responsibility or liability for any loss of principal of the Representative Expense Fund other than as a result of its gross negligence or willful misconduct. Any remaining funds not used by the Representative shall be paid to the Paying Agent for further distribution to the Indemnifying Parties contributing to such fund, based on each Indemnifying Party's Pro Rata Share, upon conclusion of the Representative's duties hereunder. However, in any event (and particularly in the event that the Representative Expense Fund is not sufficient to cover the reasonable out-of-pocket expenses incurred by the Representative in the performance of his or her duties hereunder), each Indemnifying Party agrees that such Indemnifying Party's Pro Rata Share of such reasonable out-of-pocket expenses that are not covered by the Representative Expense Fund may be deducted by the Representative from amounts distributed to the Representative, on behalf of the Indemnifying Parties, from the Escrow Fund immediately prior to delivery of such Escrow Fund to the Indemnifying Parties.

(ii) The Representative will incur no liability to the Indemnifying Parties with respect to any action taken or suffered by the Representative in reliance upon any notice, direction, instruction, consent, statement or other document believed by the Representative to be genuine and to have been signed by the proper person (and the Representative shall have no responsibility to determine the authenticity thereof), nor for any other action or inaction, except its own gross negligence, bad faith or willful misconduct. Except as expressly provided herein, the Representative will not be required to take any action involving any expense unless the payment of such expense is made or provided for in a manner satisfactory to the Representative.

(iii) The Indemnifying Parties shall severally (but not jointly), based solely on their respective Pro Rata Shares, indemnify the Representative and hold the Representative harmless against any claims, demands, suits, actions, causes of action, losses, damages, obligations, liabilities, costs and expenses (including reasonable attorneys' fees and court costs) (collectively, "Representative Losses") arising out of or in connection with the acceptance or administration of the Representative's duties hereunder, in each case as such Representative Loss is incurred or suffered; *provided* that in the event it is finally adjudicated that a Representative Loss or any portion thereof was primarily caused by the gross negligence, willful misconduct or bad faith of the Representative, the Representative will reimburse the Indemnifying Parties the amount of such indemnified Representative Loss attributable to such gross negligence, willful misconduct or bad faith. If not paid directly to the Representative by the Indemnifying Parties, any such Representative Losses may be recovered by the Representative from (i) the funds in the Representative Expense Fund, and (ii) the amounts in the Escrow Fund otherwise distributable to the Indemnifying Parties pursuant to the terms hereof and the Escrow Agreement at the time of distribution in accordance with written instructions delivered by the Representative to the Escrow Agent; *provided* that while this section allows the Representative to be paid from the Representative Expense Fund and the Escrow Fund, this does not relieve the Indemnifying Parties from their obligation to promptly pay such Representative Losses as such Representative Losses are suffered or incurred, nor does it prevent the Representative from seeking any remedies available to it at law or otherwise.

10.7 Reliance on Representative. Buyer and its affiliates (including, after the Closing, the Company) and the Escrow Agent shall be entitled to rely on the appointment of the Representative and treat such Representative as the duly appointed attorney-in-fact of each Indemnifying Party (subject to the limitation set forth in Section 10.4(b)) and as having the duties, power and authority provided for in this Agreement and the Escrow Agreement. None of Buyer or its respective affiliates (including, after the Closing, the Company) or the Escrow Agent shall be liable to any Indemnifying Party for any actions taken or omitted by them in reliance upon any instructions, notice or other instruments delivered by the Representative for which it was authorized pursuant to the provisions of Section 10.4(b) above. No resignation of the Representative shall become effective unless at least 30 days prior written notice of the replacement or resignation of such Representative shall be provided to Buyer and the Escrow Agent. Buyer and its respective affiliates (including, after the Closing, the Company) and the Escrow Agent shall be entitled to rely at any time after receipt of any such notice on the most recent notice so received. The Indemnifying Parties holding seventy five percent (75%) interest in the Escrow Fund may remove the Representative by a written instrument delivered to the Representative, Buyer and the Company, and, in such event and also if the Representative shall be unable or unwilling to serve in such capacity, his, her or its successor who shall serve and exercise the powers of the Representative hereunder shall be appointed by a written instrument signed by Indemnifying Parties holding seventy five percent (75%) interest in the Escrow Fund held in escrow at such time and delivered to Buyer and the Escrow Agent.

ARTICLE 11

MISCELLANEOUS

11.1 Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been given: (i) when delivered personally by hand, (ii) two (2) Business Days after mailing, if sent by a nationally-recognized overnight delivery service (unless the records of the delivery service indicate otherwise), or (iii) four (4) Business Days after deposit in the United States or Israeli mail, registered or certified and with proper postage prepaid, addressed as follows:

(a) if to Parent, Buyer, or (after the Closing) to the Company, to:

Palo Alto Networks, Inc.
4401 Great America Parkway
Santa Clara, California 95054
Attention: Chief Executive Officer & General Counsel

with a copy (which shall not constitute notice) to:

Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, California
Attention: Jeffrey D. Saper, Esq.

(b) to the Company (prior to the Closing), to:

Cyvera Ltd.
6 Kaufmann Street
Tel-Aviv, Israel
Attention: Uri Alter, Co-CEO

Netanel Davidi, Co-CEO

with a copy (which shall not constitute notice) to:

Meitar Liquornik Geva Leshem Tal, Law Offices
16 Abba Hillel Rd.
Ramat Gan 52506, Israel
Attention: Raanan Lerner, Adv.
Tomer Shani, Adv.

(c) if to a Contributing Securityholder, to the address set forth for such Contributing Securityholder in the Payment Spreadsheet.

(d) if to the Representative, to:

Shareholder Representative Services LLC
1614 15th Street, Suite 200
Denver, CO 80202
Attention: Managing Director
Email: deals@srsacquiom.com
Facsimile No.: (303) 623-0294
Telephone No.: (303) 648-4085

Any party or other recipient may from time to time change its address for purposes of this Agreement by giving notice of such change as provided herein.

11.2 Successors and Assigns. All covenants and agreements and other provisions set forth in this Agreement and made by or on behalf of any of the parties hereto shall bind and inure to the benefit of the successors, heirs and permitted assigns of such party, whether or not so expressed. None of the parties may assign or transfer any of their respective rights or obligations under this Agreement without the consent in writing of the Company, Buyer and the Representative. Notwithstanding the foregoing, nothing contained in this Agreement shall prohibit Buyer from merging the Company with and into Buyer or any of its affiliates or assigning any of the rights hereunder to a direct or indirect Subsidiary of Buyer following the Closing; *provided* that Parent and Buyer remain liable for its obligations contained herein.

11.3 Severability. In the event that any one or more of the provisions contained herein is held invalid, illegal or unenforceable in any respect for any reason in any jurisdiction, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected (so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party), it being intended that each of parties' rights and privileges shall be enforceable to the fullest extent permitted by applicable Law, and any such invalidity, illegality and unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction (so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party).

11.4 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to seek an injunction or injunctions (without proof of damages) to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are

entitled at Law or in equity and the parties hereby agree to waive any requirements for posting a bond in connection with any such action.

11.5 Other Remedies. Any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy.

11.6 Entire Agreement. This Agreement, including the Disclosure Schedule (and all exhibits and schedules thereto) and all Exhibits and Schedules to this Agreement, and the Related Agreements are complete, and all promises, representations, understandings, warranties and agreements with reference to the subject matter hereof, and all inducements to the making of this Agreement relied upon by all the parties hereto, have been expressed herein or in such Disclosure Schedule, Schedules, Exhibits or any Related Agreement, and this Agreement, including such Disclosure Schedule, Schedules, Exhibits and any Related Agreement supersedes any prior understandings, agreements or representations by or among the parties, written or oral, to the extent that they related in any way to the subject matter hereof.

11.7 Third Parties. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person any rights or remedies under or by reason of this Agreement or any other certificate, document, instrument or agreement executed in connection herewith nor be relied upon other than the parties hereto and their permitted successors or assigns. The representations and warranties in this Agreement are the product of negotiations among the parties and are for the sole benefit of the parties hereto in accordance with and subject to the terms and conditions of this Agreement, and are not necessarily intended as characterization of actual facts or circumstances as of the date of this Agreement or as of any earlier date. Without limiting anything else in this Section 11.7, the representations and warranties made in this Agreement are not intended to, and do not, confer upon any Person (other than the parties hereto and, to the extent expressly permitted, such parties' assignees) any rights or remedies hereunder. Without limiting the foregoing, it is expressly understood and agreed that the provisions of Section 8.19 are statements of intent and no Continuing Employee or other Person (including any third-party to such provisions who is a party hereto) shall have any rights or remedies, including rights of enforcement, with respect thereto and no Continuing Employee or other Person is or is intended to be a third-party beneficiary thereof.

11.8 Governing Law. This Agreement, including the validity hereof and the rights and obligations of the parties hereunder, shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and to be performed entirely in such state (without giving effect to the conflicts of Laws provisions thereof).

11.9 Consent to Jurisdiction. By execution and delivery of this Agreement, each party hereto irrevocably and unconditionally submits to the exclusive jurisdiction of the federal courts located in the Northern District of the State of California in the United States of America for the purpose of resolving any and all disputes arising under this Agreement (including any indemnification claims under Article 10) and not as a general submission to such jurisdiction or with respect to any other dispute, matter or claim whatsoever. The parties hereto irrevocably consent to the service of process out of any of the aforementioned courts in any such action or proceeding by the delivery of copies thereof by overnight courier to the address for such party to which notices are deliverable hereunder. Any such service of process shall be effective upon delivery. Nothing herein shall affect the right to serve process in any other manner permitted by applicable Law. The parties hereto hereby waive any right to stay or dismiss any action or proceeding under or in connection with this Agreement brought before the foregoing courts on the basis of (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason, or that it or any of

its property is immune from the above-described legal process, (ii) that such action or proceeding is brought in an inconvenient forum, that venue for the action or proceeding is improper or that this Agreement may not be enforced in or by such courts, or (iii) any other defense that would hinder or delay the levy, execution or collection of any amount to which any party hereto is entitled pursuant to any final judgment of any court having jurisdiction.

11.10 Counterparts. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, may be executed in two or more counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a fax machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail (any such delivery, an "Electronic Delivery") shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party hereto shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense, except to the extent that such defense relates to lack of authenticity.

11.11 Inter-Securityholders Agreement. By execution of this Agreement, Netanel Davidi, on the one hand, and the other Company Shareholders, on the other hand, covenant and agree to work in good faith to negotiate and execute a definitive Inter-Securityholders Agreement prior to the Closing, which agreement shall include certain provisions relating to the treatment of the Founder Retained Amount; it being acknowledged, agreed and understood that the failure of Netanel Davidi, on the one hand, and the other Company Shareholders, on the other hand, to negotiate or execute such Inter-Securityholder Agreement shall not alter, affect or modify any of the terms or conditions of this Agreement, including (a) the conditions set forth in Section 3.3 and (b) the covenants set forth in Article 7 and Article 8 and (c) the indemnification obligations set forth in Article 10.

[*Remainder of page intentionally left blank*. *Signature page follows*.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

PALO ALTO NETWORKS, INC.

By: /s/ Mark McLaughlin
Name: Mark McLaughlin
Title: Chief Executive Officer

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

PALO ALTO NETWORKS HOLDING B.V.

By: s/ Steffan Tomlinson
Name: Steffan Tomlinson
Title: Director

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

CYVERA LTD.

By: /s/ Uri Alter
Name: Uri Alter
Title: Co-CEO

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER REPRESENTATIVE SERVICES LLC, SOLELY IN ITS CAPACITY AS REPRESENTATIVE OF THE INDEMNIFYING PARTIES:

By: /s/ W. Paul Koenig

Name: W. Paul Koenig

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
NETANEL DAVIDI

Name: Netanel Davidi
Title: Co-CEO
Signature: /s/ Netanel Davidi
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
URI ALTER

Name: Uri Alter
Title: Co-CEO
Signature: /s/ Uri Alter
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
MOSHE BEN ABU

Name: Moshe Ben Abu
Title: CMH
Signature: /s/ Moshe Ben Abu
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
ETAY KASHTAN

Name: Etay Kashtan
Title:
Signature: /s/ Etay Kashtan
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
I. KASHTAN ELECTRIC MATERIALS LTD.

By: /s/ Etay Kashtan
Name: Etay Kashtan
Title: CEO
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
YADIN KOLITZ

Name: Yadin Kolitz
Title:
Signature: /s/ Yadin Kolitz
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
BLUMBERG CAPITAL III, L.P.

By Blumberg Capital Management III, LLC,
Its General Partner

By: /s/ David J. Blumberg
Name: David J. Blumberg
Title: Managing Member
[Redacted]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
EMC IRELAND HOLDINGS

By: /s/ Paul T. Dacier
Name: Paul T. Dacier
Title: Authorized Signatory
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
YARIV GILAT

Name: Yariv Gilat
Title:
Signature: /s/ Yariv Gilat
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
ELI BEN-DOR

Name: Eli Ben-Dor
Title:
Signature: /s/ Eli Ben-Dor
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
OFIR SHALVI

Name: Ofir Shalvi
Title:
Signature: /s/ Ofir Shalvi
[Redacted]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
EHUD WEINSTEIN

Name: Ehud Weinstein
Title:
Signature: /s/ Ehud Weinstein
[Redacted]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
ADRIAN WELLER

Name: Adrian Weller
Title: Individual
Signature: /s/ Adrian Weller
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
BATTERY VENTURES IX, L.P.

By Battery Partners IX, LLC,
Its General Partner

By: /s/ R. David Tabors
Name: R. David Tabors
Title: Managing Member
[Redacted]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
BATTERY INVESTMENT PARTNERS IX, LLC

By Battery Partners IX, LLC,
Its Managing Member

By: /s/ R. David Tabors
Name: R. David Tabors
Title: Managing Member
[Redacted]

Signature Page to Share Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal as of the day and year first above written.

SHAREHOLDER
ESOP MANAGEMENT AND TRUST SERVICES LTD. (IN TRUST ON BEHALF OF GILAD ENGEL)

Name: Uri Alter
Title: Co-CEO
Signature: /s/ Uri Alter
(Executed by Uri Alter As Proxy)
[Redacted]

AMENDMENT NO. 1 TO THE SHARE PURCHASE AGREEMENT

This Amendment No.1 to the Share Purchase Agreement (this "Amendment") is made and entered into as of April 9, 2014, by and among Palo Alto Networks, Inc., a Delaware corporation ("Parent"), Palo Alto Networks Holding B.V., a company organized under the laws of the Netherlands ("Buyer"), Cyvera Ltd., a company organized under the laws of the State of Israel (the "Company") and Shareholder Representative Services LLC, a Colorado limited liability company, solely in its capacity as the exclusive representative of the Indemnifying Parties in connection with the transactions contemplated by this Agreement (the "Representative"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement (as defined below).

WHEREAS, the parties hereto and the Executing Shareholders (as defined in the Agreement, as defined below) have entered into a Share Purchase Agreement dated March 22, 2014, (the "Agreement");

WHEREAS, the parties hereto desire to amend the Agreement in the manner set forth below; and

WHEREAS, Section 9.3 of the Agreement provides, among other things, that any amendment of the Agreement signed by the Representative shall be binding upon and be effective against the Indemnifying Parties whether or not such Indemnified Parties have signed such amendment.

NOW, THEREFORE, in consideration of the promises and subject to the conditions contained herein, the parties hereby agree as follows:

1. The Agreement is hereby amended by deleting Section 1.1(uu) thereof in its entirety and substituting in lieu thereof a new Section 1.1(uu) as follows:

   "(uu) 'Founder Note' shall mean the promissory note between Netanel Davidi and the Company, dated as of the Closing Date, in the principal amount of Four Million Two Hundred Thousand Dollars ($4,200,000), having a maturity date four (4) years from the Closing Date, and otherwise in form and substance to be agreed upon prior to the Closing between the Company and Netanel Davidi and reasonably satisfactory to Parent."

2. The Agreement is hereby amended by deleting Section 1.1(ww) thereof in its entirety and substituting in lieu thereof a new Section 1.1(ww) as follows:

   "(ww) 'Founder Retained Amount' shall mean an amount equal to Six Million Seven Hundred Thousand Dollars ($6,700,000)."

3. The Agreement is hereby amended by deleting Section 1.1(llll) thereof in its entirety and substituting in lieu thereof a new Section 1.1(llll) as follows:

“(llll) ‘Representative Expense Amount’ shall mean $800,000.”

4. The Agreement is hereby amended by deleting Section 2.1(e) thereof in its entirety and substituting in lieu thereof a new Section 2.1(e) as follows:

“(e) Repayment of Founder Note. If, following the Closing Date, all or any portion of the Founder Note is repaid to the holder of such Founder Note on or prior to the maturity date thereof, Parent shall pay, promptly after such repayment is made, the amount of such Founder Note plus accrued interest so repaid (net of any Taxes paid or deemed paid by Parent, Buyer or the Company thereon or in respect thereof, calculated using the highest corporate Tax rate applicable in the jurisdiction of the holder of the Founder Note), to the Paying Agent for the benefit of the Contributing Securityholders. For purposes of calculating the amount of cash payable to each Contributing Securityholder pursuant to this Section 2.1(e), such amount of the Founder Note so repaid (net of any Taxes paid or deemed paid by Parent, Buyer or the Company thereon or in respect thereof, calculated using the highest corporate Tax rate applicable in the jurisdiction of the holder of the Founder Note) shall be distributed to each Contributing Securityholder in accordance with such Contributing Securityholder’s Pro Rata Share. If any amount of the Founder Note remains unpaid on the maturity date or, as promptly as reasonably practicable following receipt by Parent of the written request from the Representative that Parent assign and transfer the Founder Note to the Representative, Parent shall cause the holder of such Founder Note to assign and transfer the Founder Note to the Representative on behalf of the Contributing Securityholders.”

5. The Agreement is hereby amended by deleting Section 2.1(f) thereof in its entirety and substituting in lieu thereof a new Section 2.1(f) as follows:

“(f) Payment of Founder Retained Amount. As promptly as reasonably practicable, following the earlier to occur of (i) the maturity date of the Founder Note; or (ii) receipt by Parent of the written notice from the Representative that Parent transfer the Founder Retained Amount to the Paying Agent, Parent shall transfer the Founder Retained Amount (net of any Taxes imposed on Parent, Buyer or the Company in connection with such transfer) to the Paying Agent for the benefit of the Contributing Securityholders. Following its receipt of the Founder Retained Amount, the Paying Agent shall (A) withhold and deduct any Taxes due under then applicable Law associated with the Founder Retained Amount or the Founder Note (including, for the avoidance of doubt, any such Taxes that may become due in connection with the subsequent transfer of any portion of the Founder Retained Amount to Netanel Davidi), which Taxes and the withholding rates related to such Taxes shall be subject to the written approval of Parent, (B) pay over such withheld and deducted Taxes to the appropriate Taxing Authority (to the extent not already so paid) and (C) release the

remaining balance thereof to the Contributing Securityholders, in accordance with each such Contributing Securityholder's Pro Rata Share. The Representative and Netanel Davidi shall provide assistance to the Paying Agent as reasonably requested by the Paying Agent in order for the Paying Agent to determine the applicable amounts of Taxes to be withheld and deducted from the Founder Retained Amount. Notwithstanding anything to the contrary in this Section 2.1(f), any Tax required to be paid in accordance with applicable Law associated with the imputed interest related to the Founder Note may also be deducted by Parent from the Founder Retained Amount prior to the transfer by Parent of the Founder Retained Amount to the Paying Agent. To the extent that the consideration payable or otherwise deliverable to any Person under Section 2.1(e) or this Section 2.1(f) is not reduced by such deductions or withholdings, such Person shall indemnify Parent and its affiliates (including the Company) for any Taxes imposed by any Taxing Authority."

6. This Amendment shall be read together with the Agreement as one agreement and, except as expressly amended by this Amendment, the Agreement shall remain unaltered and in full force and effect.

7. The provisions of Section 9.3 (Amendment), 11.1 (Notices), 11.2 (Successors and Assigns), 11.3 (Severability), 11.7 (Third Parties), 11.8 (Governing Law), 11.9 (Consent to Jurisdiction) and 11.10 (Counterparts) of the Agreement shall apply to this Amendment and are hereby incorporated by reference.

[*Signature Pages to Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

PALO ALTO NETWORKS, INC.

By:	/s/ Mark McLaughlin
Name:	Mark McLaughlin
Title:	Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

PALO ALTO NETWORKS HOLDING B.V.

By: s/ Steffan Tomlinson
Name: Steffan Tomlinson
Title: Board Member

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

CYVERA LTD.

By: /s/ Netanel Davidi

Name: Netanel Davidi

Title: Co-CEO

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

SHAREHOLDER REPRESENTATIVE SERVICES LLC, SOLELY IN ITS CAPACITY AS REPRESENTATIVE OF THE INDEMNIFYING PARTIES:

By: /s/ Mark B. Vogel
Name: Mark B. Vogel
Title: Managing Director

Exhibit 31.1

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark D. McLaughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Palo Alto Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARK D. MCLAUGHLIN

Mark D. McLaughlin
President, Chief Executive Officer and Director

Date: June 2, 2014

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Steffan C. Tomlinson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Palo Alto Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ STEFFAN C. TOMLINSON

Steffan C. Tomlinson
Chief Financial Officer

Date: June 2, 2014

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark D. McLaughlin, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Palo Alto Networks, Inc. for the quarterly period ended April 30, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ MARK D. MCLAUGHLIN

Mark D. McLaughlin
President, Chief Executive Officer and Director

Date: June 2, 2014

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Steffan C. Tomlinson, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Palo Alto Networks, Inc. for the quarterly period ended April 30, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Palo Alto Networks, Inc.

/s/ STEFFAN C. TOMLINSON

Steffan C. Tomlinson
Chief Financial Officer

Date: June 2, 2014