

# **CHECK POINT SOFTWARE TECHNOLOGIES LTD.**

**Diamond Tower  
3A Jabotinsky Street  
Ramat Gan 52520, Israel**

## **PROXY STATEMENT**

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### **ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**July 5, 1999**

Notice is hereby given of the Annual General Meeting of Shareholders (the "Meeting") of Check Point Software Technologies Ltd. (the "Company"), to be held on July 5, 1999 at 11:00 A.M., at the principal executive offices of the Company at the address that appears above.

This Proxy Statement is furnished to the holders of Ordinary Shares, NIS 0.01 nominal value (the "Ordinary Shares"), of the Company in connection with the solicitation by the Board of Directors of proxies for use at the Meeting or at any adjournment thereof. It is proposed that resolutions be adopted at the meeting as follows: (1) to increase the maximum number of Directors from 10 to 12; (2) to fix the number of Directors at 10, until the Company's shareholders decide otherwise; (3) to elect 7 Directors for the coming year; (4) to approve the Consolidated Financial Statements of the Company for the year ended December 31, 1998; (5) to ratify the appointment of Kost Forer & Gabbay, a member of Ernst & Young International, as the independent public accountants of the Company for the year ending December 31, 1999; (6) to ratify an increase in the number of Ordinary Shares reserved for issuance pursuant to the Company's stock option plans; (7) to amend the Company's stock option plans to provide for automatic increases in the number of shares authorized for issuance under the plans; (8) to ratify an increase in the number of Ordinary Shares reserved for issuance pursuant to the Company's Employee Stock Purchase Plan; (9) to amend the Automatic Option Grant Program under the U.S. Plan to provide for an increase in the number of options to be issued to non-employee Directors upon the date of initial election or appointment and upon each re-election; (10) to approve certain terms of remuneration of non-employee Directors of the Company; and (11) to approve certain terms of compensation of officers who are also Directors of the Company.

A form of proxy for use at the meeting is attached. Shareholders should follow the instructions on the proxy voting card. Shareholders may revoke the authority granted by their execution of proxies at any time before the exercise thereof by filing with the Company a written notice of revocation or duly executed proxy bearing a later date, or by voting in person at the meeting. Unless otherwise indicated on the form of proxy, shares represented by any proxy in the attached form, if the proxy is properly executed and received by the Company prior to the meeting, will be voted in favor of all of the proposed resolutions to be presented to the meeting, as described above.

Proxies for use at the meeting are being solicited by the Board of Directors of the Company. Only shareholders of record at the close of business on April 30, 1999 will be entitled to vote at the Meeting. Proxies are being mailed to shareholders on or about June 11, 1999 and will be solicited chiefly by mail; however, certain officers, Directors, employees and agents of the Company, none of whom will receive additional compensation therefor, may solicit proxies by telephone, telegram or other personal contact. The Company will bear the cost of the solicitation of the proxies, including postage, printing and handling, and will reimburse the reasonable expenses of brokerage firms and others for forwarding material to beneficial owners of shares.

On April 30, 1999 the Company had outstanding 36,624,428 Ordinary Shares, each of which is entitled to one vote upon each of the matters to be presented at the Meeting. Two or more shareholders, present in person or by proxy and holding shares conferring in the aggregate more than 50% of the voting power of the Company, will constitute a quorum at the Meeting. If within half an hour from the time appointed for the meeting a quorum is not present, the Meeting will be adjourned to the same day in the next week, at the same time and place, or to such day and at such time and place as the Chairman may determine with the consent of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting on the question of adjournment. At such adjourned Meeting, any two shareholders, present in person or by proxy, will constitute a quorum.

**BENEFICIAL OWNERSHIP OF SECURITIES  
BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding beneficial ownership of the Company's Ordinary Shares as of April 30, 1999 for (i) each person who is known by the Company to own beneficially more than ten percent of the Company's outstanding Ordinary Shares, and (ii) all current executive officers and directors as a group.

<u>Name and Address of Ten Percent Shareholders, Officers and Directors(1)</u>	<u>Number of Shares Beneficially Owned(2)</u>	<u>Percentage of Shares Beneficially Owned</u>
Gil Shwed .....	4,158,166	11.35%
Marius Nacht .....	3,895,166	10.64%
All directors & executive officers as a group (6 persons) .....	10,979,873	29.98%

- (1) Unless otherwise indicated, the address for each listed shareholder is c/o Check Point Software Technologies Ltd., 3A Jabotinsky Street, Ramat-Gan 52520, Israel. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Ordinary Shares.
- (2) The number of Ordinary Shares beneficially owned includes the shares issuable pursuant to stock options which are exercisable within 60 days of April 30, 1999. Shares issuable pursuant to stock options are deemed outstanding for computing the percentage of the person holding such options but are not outstanding for computing the percentage of any other person.

**ITEM 1 — MAXIMUM NUMBER OF DIRECTORS**

Article 38 of the Company's Articles of Association provides that the number of Directors shall be not less than 6 nor more than 10, as may be determined from time to time by the Company's shareholders. As the result of the adoption of a new Israeli Companies Law, which is effective February 1, 2000, the Company may be required to have two Directors who meet the independence and other criteria established by the new law. In order to allow for the election of these independent Directors without limiting the Company's ability to attract additional qualified individuals to the Board of Directors, shareholders are requested to amend the Articles of Association to provide that the maximum number of Directors shall be increased from 10 to 12. The Company's shareholders will still periodically fix the actual number of Directors (see Item 2 below).

It is proposed that the following Special Resolution be adopted at the Meeting:

“RESOLVED, that Article 38 of the Company's Articles of Association is amended to read as follows:

‘The Board of Directors of the Company shall consist of such number of Directors (not less than 6 nor more than 12) as may be fixed, from time to time, by Ordinary Resolution of the Company.’ ”

The affirmative vote of the holders of not less than 75% of the voting power represented at the Meeting in person or by proxy and voting thereon is necessary for the approval of the Special Resolution to amend the Company's Articles of Association to increase the maximum number of Directors to 12. **The Board of Directors recommends that the shareholders vote “FOR” the adoption of this Special Resolution.**

**ITEM 2 — FIXING CURRENT NUMBER OF DIRECTORS**

As noted in Item 1, Article 38 of the Company's Articles of Association currently provides that the number of Directors shall be not less than 6 nor more than 10, as may be determined from time to time by the Company's shareholders. If the Special Resolution proposed under Item 1 is adopted, the Company's Articles of Association will be amended to provide that the number of Directors shall be not less than 6 nor more than

12, as may be determined from time to time by the Company's shareholders. Whether or not the Special Resolution proposed under Item 1 is adopted, the Company's shareholders are requested to fix the number of Directors at 10. The Company's shareholders may fix a new number of Directors at any time, within the range permitted by the Company's Articles of Association, by the adoption of an Ordinary Resolution.

It is proposed that the following Ordinary Resolution be adopted at the Meeting:

“RESOLVED, that the number of Directors be fixed at 10.”

The affirmative vote of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting thereon is necessary for the approval of the Ordinary Resolution to fix the number of Directors at 10. **The Board of Directors recommends that the shareholders vote “FOR” the adoption of this Ordinary Resolution.**

### ITEM 3 — ELECTION OF DIRECTORS

As noted in Item 2, the Company's shareholders last fixed the number of Directors at 8, and if the resolution proposed under Item 2 is adopted the number of Directors will be fixed at 10. Whether or not the resolution proposed under Item 2 is adopted, Management recommends that the following seven nominees be elected to the Board of Directors at the Meeting.

Gil Shwed, a co-founder of the Company, has served as the Company's President and Chief Executive Officer and as a director of the Company since its inception in July 1993. Mr. Shwed has been Chairman of the Board of the Company since July 1998.

Marius Nacht, a co-founder of the Company, has served as the Company's Senior Vice President since January 1, 1999. Mr. Nacht served as the Company's Vice President of International Operations from September 1995 until December 1998, and from July 1993 to September 1995 Mr. Nacht served as a Vice-President of the Company. Mr. Nacht has served as a director of the Company since its inception in July 1993. Mr. Nacht received a Masters degree in Electrical Engineering and Communication Systems from Tel Aviv University, as well as a B.S. in Physics and Mathematics from Hebrew University of Jerusalem.

Irwin Federman has served as a director of the Company since November 1995. Mr. Federman has been a General Partner of U.S. Venture Partners, a venture capital firm, since April 1990. From 1988 to 1990, he was a Managing Director of Dillon Read & Co., an investment banking firm, and a general partner in its venture capital affiliate, Concord Partners. Mr. Federman is a director of Komag Incorporated, Western Digital Corporation, TelCom Semiconductor, Inc., SanDisk Corp., NeoMagic Inc. and a number of private companies. Mr. Federman received a B.S. from Brooklyn College.

Shlomo Kramer, a co-founder of the Company, served as the Company's Executive Vice President from October 1996 until December 1998, and served as Vice President of Product and Business Development from October 1995 to October 1996. From July 1993 to October 1995, Mr. Kramer served as a Vice President of the Company. Mr. Kramer has served as a director of the Company since its inception in July 1993. Mr. Kramer received a Masters degree in Computer Science from Hebrew University of Jerusalem as well as a B.S. in Mathematics and Computer Science from Tel Aviv University.

Ray Rothrock has served as a director of the Company since November 1995. Mr. Rothrock has been a member of Venrock Associates, a venture capital firm, since 1988 and a General Partner of Venrock Associates since 1995. Mr. Rothrock is also a director of USinternetworking, Shym Technology, Qpass, Reciprocal and a number of private companies. Mr. Rothrock received a B.S. in engineering from Texas A&M University, an M.S. from the Massachusetts Institute of Technology and an M.B.A. from the Harvard Business School.

David Rubner has been President and Chief Executive Officer of ECI Telecommunications Ltd., Israel's largest high tech company, since 1991. Prior to his appointment he held the positions of Chief Engineer, Vice President of Operations and Executive Vice President and General Manager of the Telecommunications Division. Mr. Rubner holds a B.S. degree in engineering from Queen Mary College, University of London and

an M.S. degree from Carnegie Mellon University. Mr. Rubner is a member of the Presidium of the Electronics Industries Association.

Alex Serge Vieux is Chairman and Chief Executive Officer of DASAR Brothers, Inc., which he founded in 1989. As part of DASAR, Mr. Vieux launched the highly regarded European (ETRE) and Asian (ATRE) Technology Roundtable Exhibition Conferences for chief executive officers. He is a member of the board of several public and private technology companies in the United States (Saqqara, NextAge) and Europe (BVRP Software, Cibox, Lernout & Hauspie, Oxydian, Keeboo), and has served as a senior advisor to both government and industry. Mr. Vieux is currently a visiting professor at the French University Paris Dauphine, where he is teaching telecom in the United States. Mr. Vieux is a graduate of the Institut d'Etudes Politiques in Paris and HEC. He also holds a Law degree from the Université de Paris II-Assas and an M.B.A. from Stanford University, where he was a Fulbright Scholar.

It is the intention of the persons appointed as proxies in the accompanying proxy to vote FOR the election of the nominees named above as Directors unless specifically instructed to the contrary. Should any nominee become unavailable for election to the Board of Directors at the Meeting, the persons appointed as proxies will have discretionary authority in that instance to vote the proxy for a substitute. Management knows of no current circumstances that would render any nominee named herein unable to accept nomination or election.

#### **ITEM 4 — PROPOSAL TO APPROVE THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED DECEMBER 31, 1998**

The Company's Annual Report for 1998 is being mailed to the Company's shareholders together with this Proxy Statement. The Company's Consolidated Financial Statements for the year ended December 31, 1998 are included in such report.

It is proposed that the following Ordinary Resolution be adopted at the Meeting:

“RESOLVED, that the Consolidated Financial Statements of the Company for the year ended December 31, 1998 be, and the same hereby are, approved.”

The affirmative vote of the holders of a majority of the voting power represented at the meeting in person or by proxy and voting thereon is necessary for the approval of the Ordinary Resolution to approve the Consolidated Financial Statements. **The Board of Directors recommends that the shareholders vote “FOR” the approval of the Company's Consolidated Financial Statements.**

#### **ITEM 5 — PROPOSAL TO RATIFY THE APPOINTMENT OF THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS**

The Board of Directors has appointed the accounting firm of Kost Forer & Gabbay, a member of Ernst & Young International, as the independent public accountants of the Company for the year ending December 31, 1999. Kost Forer & Gabbay have audited the Company's books and accounts since its inception.

The Board of Directors will present the following Ordinary Resolution at the Meeting:

“RESOLVED, that the appointment of Kost Forer & Gabbay as the Company's independent public accountants for the fiscal year ending December 31, 1999 be, and it hereby is, ratified, and that the Board of Directors be, and it hereby is, authorized to fix the remuneration of such independent public accountants in accordance with the volume and nature of their services.”

The affirmative vote of the holders of a majority of the voting power represented at the meeting in person or by proxy and voting thereon is necessary for the approval of the Ordinary Resolution to ratify the appointment of the Company's independent public accountants. **The Board of Directors recommends that the shareholders vote “FOR” the ratification of the appointment of the Company's independent public accountants.**

**ITEM 6 — PROPOSAL TO RATIFY AN INCREASE  
IN THE NUMBER OF ORDINARY SHARES  
RESERVED FOR ISSUANCE PURSUANT TO  
THE COMPANY'S STOCK OPTION PLANS**

The Company's 1996 Israel Stock Option Plan (the "Israel Plan") was adopted by the Board of Directors on April 12, 1996. The Company currently has reserved 6,600,000 Ordinary Shares for issuance under the Israel Plan. The Company's 1996 United States Stock Option Plan (the "U.S. Plan") was adopted by the Board of Directors on April 12, 1996 as the successor to the 1995 Stock Option Plan. The Company has reserved 9,000,000 Ordinary Shares for issuance under the U.S. Plan. The Board believes that option grants under the U.S. Plan and Israel Plan play an important role in the Company's efforts to attract, employ, and retain employees, directors, and consultants of outstanding ability.

As of March 31, 1999, 1,075,621 Ordinary Shares had been issued under the Israel Plan, options to purchase 2,410,356 Ordinary Shares were outstanding and 3,114,023 Ordinary Shares remained available for future grant. As of March 31, 1999, 2,193,614 Ordinary Shares had been issued under the U.S. Plan, options to purchase 3,188,502 Ordinary Shares were outstanding and 3,617,884 Ordinary Shares remained available for future grant.

The Board of Directors will present the following Ordinary Resolution at the Meeting:

"RESOLVED, that the increase in the number of Ordinary Shares reserved for issuance under the Israel Plan from 6,600,000 to 8,700,000 and the increase in the number of Ordinary Shares reserved for issuance under the U.S. Plan from 9,000,000 to 11,900,000, as approved by the Company's Board of Directors, be, and they hereby are, ratified."

The affirmative vote of the holders of a majority of the voting power represented at the meeting in person or by proxy and voting thereon is necessary for the approval of the Ordinary Resolution to ratify the increases to the number of shares reserved for issuance pursuant to the Israel Plan and the U.S. Plan. **The Board of Directors recommends that the shareholders vote "FOR" the ratification of the increases to the number of shares reserved for issuance pursuant to the Israel Plan and the U.S. Plan.**

**ITEM 7 — APPROVAL OF AMENDMENTS TO  
THE ISRAEL PLAN AND THE U.S. PLAN  
FOR AUTOMATIC INCREASES IN AUTHORIZED SHARES**

Subject to shareholder approval, the Board adopted an amendment, commonly referred to as an "evergreen" provision, to each of the Israel Plan and the U.S. Plan. These amendments (the "Evergreen Amendments") provide for automatic annual increases in the number of shares authorized for issuance under the Israel Plan and the U.S. Plan in an aggregate amount equal to five percent (5%) of the then outstanding Ordinary Shares of the Company. The total annual increase will be allocated 40% to the Israel Plan and 60% to the U.S. Plan, unless the Board of Directors determines a different allocation. If this amendment is approved by the shareholders, these increases in authorized shares under the Israel Plan and the U.S. Plan (rounded downward, if necessary, to eliminate fractional shares) will commence on January 1, 2000 and continue on the first day of January of each year thereafter.

The Board approved the Evergreen Amendments because it believes that the Israel Plan and the U.S. Plan are an important factor in attracting and retaining highly-qualified individuals and in motivating such individuals to devote their maximum efforts toward the advancement of the Company. The Board believes that these amendments further these objectives by assuring continuing availability of Ordinary Shares to Company employees through the Israel Plan and the U.S. Plan, which will not only serve as a reward for the efforts of its employees but will also build an equity ownership interest in the Company which will align the interests of the Company's employees with the Company's shareholders. The Evergreen Amendments could also reduce costs to the Company by minimizing the frequency with which amendments to the Israel Plan and the U.S. Plan must be submitted to shareholders for the purpose of increasing authorized shares to accommodate the Company's growth and the potential expansion of eligible employees under the Israel Plan

and the U.S. Plan. The Board believes that the Evergreen Amendments will provide the Company and its shareholders with the consistent and predictable source of Ordinary Shares needed to maintain employee equity participation comparable to businesses with which the Company competes in recruiting and retaining highly-skilled employees. If the Company does not maintain a sufficient number of total authorized shares, however, the Evergreen Amendments could reduce the flexibility of the Company in future financing and capital-raising efforts, since total authorized shares of the Company available for issuance will automatically be reduced each year, regardless of the then current needs of the Company, by the number of Ordinary Shares designated for the Israel Plan and the U.S. Plan pursuant to the Evergreen Amendments.

It is proposed that the following Ordinary Resolution be adopted at the Meeting:

“RESOLVED, that the number of shares authorized for issuance under the Israel Plan and the U.S. Plan be increased automatically on January 1, 2000 in an aggregate annual amount equal to five percent (5%) of the then outstanding Ordinary Shares of the Company, and further automatically increased on the first day of January of each year thereafter in an aggregate annual amount equal to five percent (5%) of the then outstanding Ordinary Shares of the Company (in each case rounded downward, if necessary, to eliminate fractional shares), with the total annual increase to be allocated 40% to the Israel Plan and 60% to the U.S. Plan unless the Board of Directors determines a different allocation.”

The affirmative vote of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting thereon is necessary for the approval of the Evergreen Amendments. **The Board of Directors recommends that the shareholders vote “FOR” the adoption of this Ordinary Resolution.**

#### **ITEM 8 — PROPOSAL TO RATIFY AN INCREASE IN THE NUMBER OF ORDINARY SHARES RESERVED FOR ISSUANCE PURSUANT TO THE COMPANY’S EMPLOYEE STOCK PURCHASE PLAN**

On November 24, 1996, the Company’s Board adopted an Employee Stock Purchase Plan (the “Purchase Plan”), which was ratified by the Company’s shareholders on May 9, 1997. A total of 800,000 Ordinary Shares are currently reserved for issuance under the Purchase Plan. The Purchase Plan, and the right of participants to make purchases thereunder, is intended to meet the requirements of an “employee stock purchase plan” as defined in Section 423 of the U.S. Internal Revenue Code.

The Board of Directors will present the following Ordinary Resolution at the Meeting:

“RESOLVED, that the increase in the number of Ordinary Shares reserved for issuance under the Company’s Employee Stock Purchase Plan from 800,000 to 1,000,000, as approved by the Company’s Board of Directors, be, and it hereby is, ratified.”

The affirmative vote of the holders of a majority of the voting power represented at the meeting in person or by proxy and voting thereon is necessary for the approval of the Ordinary Resolution to ratify the increase in the number of Ordinary Shares reserved for issuance under the Purchase Plan. **The Board of Directors recommends that the shareholders vote “FOR” the ratification of the increase in the number of Ordinary Shares reserved for issuance under the Purchase Plan.**

#### **ITEM 9 — APPROVAL OF AMENDMENTS TO THE AUTOMATIC OPTION GRANT PROGRAM UNDER THE U.S. PLAN**

The Automatic Option Grant Program under the U.S. Plan currently provides that each non-employee Director who is first elected or appointed to the Board of Directors after the effective date of the U.S. Plan shall automatically be granted an option to purchase 10,000 Ordinary Shares on the date of such initial election or appointment. In addition, on the date of each annual meeting of the Company’s shareholders, each non-employee Director who is to continue to serve as a non-employee Director after such annual meeting shall automatically be granted an option to purchase an additional 1,000 Ordinary Shares, provided that the Director has served as a non-employee Director for at least 6 months prior to the date of such annual meeting.

The Board believes that the Automatic Option Grant Program is an important factor in attracting and retaining highly-qualified individuals to serve on the Company's Board of Directors and in motivating such individuals to devote their maximum efforts toward the advancement of the Company. Subject to shareholder approval, the disinterested members of the Board of Directors adopted an amendment to the Automatic Option Grant Program which provides that each non-employee Director who is elected or appointed to the Board of Directors shall automatically be granted an option to purchase up to 30,000 Ordinary Shares on the date of such initial election or appointment. The exact number of Ordinary Shares covered by the option, the exercise price of the option (which shall not be less than the fair market value on the date of grant) and the terms of the vesting, if any, of the option shall be determined by the Directors in office immediately prior to the time that the non-employee Director is first elected or appointed. The amendment also provides that any Director who received options for less than 30,000 Ordinary Shares on the date of his or her initial election or appointment, for whatever reason, and who was not an employee at such time, shall automatically receive an option for the difference (that is, 30,000 less the number of options actually received, if any, on initial election or appointment) on the date of the 1999 annual meeting of the Company's shareholders. In addition, the amendment provides that on the date of each annual meeting of the Company's shareholders, each non-employee Director who is to continue to serve as a non-employee Director after such annual meeting shall automatically be granted a fully vested option to purchase an additional 7,500 Ordinary Shares, provided that the Director has served as a non-employee Director for at least 6 months prior to the date of such annual meeting. The Automatic Option Grant Program shall not apply to any Director who is not permitted to receive options under Israeli law in effect at the time.

It is proposed that the following Ordinary Resolution be adopted at the Meeting:

“RESOLVED, that the Automatic Option Grant Program under the U.S. Plan be amended to provide that each non-employee Director who is elected or appointed to the Board of Directors shall automatically be granted an option to purchase up to 30,000 Ordinary Shares on the date of such initial election or appointment. The exact number of Ordinary Shares covered by the option, the exercise price of the option (which shall not be less than the fair market value on the date of grant) and the terms of the vesting, if any, of the option shall be determined by the Directors in office immediately prior to the time that the non-employee Director is first elected or appointed. Any non-employee Director who received options for less than 30,000 Ordinary Shares on the date of his or her initial election or appointment, for whatever reason, and who was not an employee at such time, shall automatically receive an option for the difference (that is, 30,000 less the number of options actually received, if any, on initial election or appointment) on the date of the 1999 annual meeting of the Company's shareholders. In addition, on the date of each annual meeting of the Company's shareholders beginning with the 1999 annual meeting of the Company's shareholders, each non-employee Director who is to continue to serve as a non-employee Director after such annual meeting shall automatically be granted a fully vested option to purchase an additional 7,500 Ordinary Shares, provided that the Director has served as a non-employee Director for at least 6 months prior to the date of such annual meeting. The Automatic Option Grant Program shall not apply to any Director who is not permitted to receive options under Israeli law in effect at the time.”

The affirmative vote of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting thereon is necessary for the approval of the amendment to the Automatic Option Grant Program under the U.S. Plan. **The Board of Directors recommends that the shareholders vote “FOR” the adoption of this Ordinary Resolution.**

**ITEM 10 — APPROVAL OF CERTAIN TERMS  
OF REMUNERATION OF  
NON-EMPLOYEE DIRECTORS OF THE COMPANY**

The Company is subject to the provisions of Israel's Companies Ordinance [New Version], 5743-1983, as amended. Under the Companies Ordinance, the payment of compensation to Directors of the Company, whether in their capacity as Directors or otherwise, requires shareholder approval.

After considering the remuneration paid to Directors of other public companies that the members of the Board of Directors believe are comparable to the Company, the Board of Directors proposes that the shareholders approve remuneration for non-employee Directors consisting of an annual retainer of \$15,000, an additional annual retainer of \$5,000 for each committee on which the Director serves, plus \$1,000 per meeting of the Board of Directors. In addition, the Company will continue to reimburse Directors for their out-of-pocket expenses incurred in attending meetings of the Board of Directors and its committees.

It is proposed that the following Ordinary Resolution be adopted at the Meeting:

“RESOLVED, that the Company pay remuneration to non-employee Directors consisting of an annual retainer of \$15,000, an additional annual retainer of \$5,000 for each committee on which the Director serves, plus \$1,000 per meeting of the Board of Directors, as well as reimbursement of out-of-pocket expenses incurred in attending meetings of the Board of Directors and its committees.”

The affirmative vote of the holders of a majority of the voting power represented at the Meeting in person or by proxy and voting thereon is necessary for the approval of the terms of remuneration of the non-employee Directors of the Company. **The Board of Directors recommends that the shareholders vote “FOR” the adoption of this Ordinary Resolution.**

**ITEM 11 — PROPOSAL TO APPROVE CERTAIN TERMS  
OF COMPENSATION OF OFFICERS  
WHO ARE ALSO DIRECTORS OF THE COMPANY**

As noted above, under Israel’s Companies Ordinance, the payment of compensation to Directors of the Company, whether in their capacity as Directors or otherwise, requires shareholder approval. Gil Shwed and Marius Nacht, who are Directors of the Company, are also the President and Chief Executive Officer, and Senior Vice President, respectively, of the Company.

It is therefore proposed that the shareholders approve the compensation of these officers (who are also Directors) for their services as officers, in the amounts to be presented at the Meeting, as approved by the Board of Directors of the Company.

The affirmative vote of the holders of a majority of the voting power represented at the meeting in person or by proxy and voting thereon is necessary for the approval of the Ordinary Resolution to approve the compensation of the officers of the Company who are also Directors. **The Board of Directors recommends that the shareholders vote “FOR” the approval of the Ordinary Resolution to approve the compensation of the officers of the Company who are also Directors.**

**OTHER BUSINESS**

Management knows of no other business to be transacted at the Meeting; however, if any other matters are properly presented to the Meeting, the persons named in the enclosed form of proxy will vote upon such matters in accordance with their best judgment.

By Order of the Board of Directors.

GIL SHWED  
*Chairman of the Board of Directors*

Dated: June 11, 1999