As filed with the Securities and Exchange Commission on April 12, 2011

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

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

For the fiscal year ended December 31, 2010

or

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

For the transition period from _____ to _____

or

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

Date of event requiring this shell company report .....

Commission file number: 0-21218

GILAT SATELLITE NETWORKS LTD.

(Exact name of Registrant as specified in its charter)

ISRAEL

(Jurisdiction of incorporation or organization)

Gilat House, 21 Yegia Kapayim Street, Kiryat Arye, Petah Tikva, 49130 Israel

(Address of principal executive offices)

Joann R. Blasberg, +972-3- 9293020 (phone), +972-3-9252945 (fax)
Gilat House, 21 Yegia Kapayim Street, Kiryat Arye, Petah Tikva, 49130 Israel

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, NIS 0.20 nominal value	**NASDAQ Global Select Market**

Securities registered or to be registered pursuant of Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock at the close of the period covered by the annual report:

40,697,831 Ordinary Shares, NIS 0.20 nominal value per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

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 ☒ 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 o 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 ☐ No ☒

*The registrant has not yet been phased into the interactive data requirements.

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

This report on Form 20-F is being incorporated by reference into our Registration Statement on Form F-3 (Registration No. 333-160683) and the Registration Statements on Form S-8 (Registration Nos. 333-158476, 333-96630, 333-132649, 333-123410, 333-113932, 333-08826, 333-10092, 333-12466 and 333-12988).

INTRODUCTION

We are a leading global provider of Internet Protocol, or IP, based digital satellite communication and networking products and services. We design, produce and market VSATs, or very small aperture terminals, and related VSAT network equipment. VSATs are earth-based terminals that transmit and receive broadband, Internet, voice, data and video via satellite. VSAT networks have significant advantages over wireline and wireless networks, as VSATs can provide highly reliable, cost-effective, end-to-end communications regardless of the number of sites or their geographic locations.

We have a large installed customer base and have shipped more than 750,000 VSAT units to customers in over 85 countries on six continents since 1989. We have 22 offices worldwide and two call centers to support our customers. Our products are primarily sold to communication service providers and operators that use VSATs to serve enterprise, government and residential users or to system integrators that use our technology. We also provide services directly to end-users in various market segments in the United States and certain countries in Latin America.

We currently operate three complementary businesses:

- Gilat Worldwide, which is comprised of:
    - Gilat International (previously known as Gilat Network Systems, or GNS), a provider of VSAT-based networks and associated professional services, including turnkey and management services, to telecom operators worldwide. Since our acquisition of Raysat Antenna Systems, or RAS, Gilat International is also a provider of low-profile antennas, used for satellite-on-the-move communications, or Satcom-On-The-Move, antenna solutions.
    - Gilat Peru & Colombia (previously known as Spacenet Rural Communications, or SRC), a provider of telephony, Internet and data services primarily for rural communities in Peru and Colombia under projects that are subsidized by government entities;
- Spacenet Inc., a provider of satellite network services to enterprises, government, small office/home office, or SOHOs, and residential customers in the United States;
- Wavestream, a provider of high power solid state power amplifiers, or SSPA, Block Upconverters, or BUCs, with field-proven, high performance solutions designed for mobile and fixed satellite communication, or SATCOM, systems worldwide, primarily in the defense market.

In March 2010 and in April 2010 we entered into definitive agreements to acquire Raysat Antenna Systems LLC, or RAS, a provider of Satcom-On-The-Move low profile antenna solutions and RaySat Bulgaria, or RaySat BG, a Bulgarian research and development center. During July and August 2010, we closed the acquisitions of both companies. In addition, we acquired Wavestream on November 29, 2010.

Our ordinary shares are traded on the NASDAQ Global Select Market and on the Tel Aviv Stock Exchange under the symbol “GILT”. As used in this annual report, the terms “we”, “us”, “Gilat” and “our” mean Gilat Satellite Networks Ltd. and its subsidiaries, unless otherwise indicated.

The name "Gilat®" and the names "Connexstar™," "SkyAbis™," "SkyEdge™," "Spacenet™," Wavestream® and "StarBand™" appearing in this annual report on Form 20-F are trademarks of our company and its subsidiaries. The name Raysat™ is a trademark used under license by our company. Other trademarks appearing in this annual report on Form 20-F are owned by their respective holders.

Except for the historical information contained in this annual report, the statements contained in this annual report are forward-looking statements within the meaning of the Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and within the Private Securities Litigation Reform Act of 1995 as amended with respect to our business, financial condition and results of operations. Actual results, our performance, levels of activity, or our achievements, or industry results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including all the risks discussed in Item 3: "Key Information–Risk Factors" and elsewhere in this annual report.

We urge you to consider that statements which use the terms "believe," "do not believe," "expect," "plan," "intend," "estimate," "anticipate" and similar expressions are intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and are subject to risks and uncertainties. Except as required by applicable law, including the securities laws of the United States, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Our consolidated financial statements appearing in this annual report are prepared in U.S. dollars and in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. All references in this annual report to "dollars" or "$" are to U.S. dollars and all references in this annual report to "NIS" are to New Israeli Shekels. The representative exchange rate between the NIS and the dollar as published by the Bank of Israel on April 11, 2011 was NIS 3.44 per $1.00.

Statements made in this Annual Report concerning the contents of any contract, agreement or other document are summaries of such contracts, agreements or documents and are not complete descriptions of all of their terms. If we filed any of these documents as an exhibit to this Annual Report or to any registration statement or annual report that we previously filed, you may read the document itself for a complete description.

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PART I

ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not Applicable.

ITEM2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3: KEY INFORMATION

A. Selected Consolidated Financial Data

The selected consolidated statement of operations data set forth below for the years ended December 31, 2010, 2009 and 2008, and the selected consolidated balance sheet data as of December 31, 2010 and 2009 are derived from our audited consolidated financial statements that are included elsewhere in this Annual Report. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles or U.S. GAAP. The selected consolidated statement of operations data set forth below for the years ended December 31, 2007 and 2006 and the selected consolidated balance sheet data as of December 31, 2008, 2007 and 2006 are derived from our audited consolidated financial statements that are not included in this Annual Report.

The selected consolidated financial data set forth below should be read in conjunction with and is qualified entirely by reference to Item 5: "Operating and Financial Review and Prospects" and the Consolidated Financial Statements and Notes thereto included in Item 18 in this Annual Report on Form 20-F.

Year ended December 31,

	2010	2009	2008	2007	2006
	U.S. Dollars in thousands, except for share data				
Statement of Operations Data:					
Revenues:					
Products	120,255	91,407	150,351	156,798	126,093
Services	112,730	136,652	117,175	125,821	122,617
Total	232,985	228,059	267,526	282,619	248,710
Cost of revenues:					
Products	61,975	56,672	80,424	82,822	66,363
Services	91,156	100,956	101,150	97,952	91,982
Total	153,131	157,628	181,574	180,774	158,345
Gross profit	79,854	70,431	85,952	101,845	90,365
Operating expenses:					
Research and development, net	18,945	13,970	16,942	15,030	13,642
Selling and marketing	33,396	29,138	35,783	38,374	36,475
General and administrative	29,844	27,987	29,819	31,052	26,800
Costs related to acquisition transactions	3,842	—	—	—	—
Impairment of long lived assets and other charges	—	—	5,020	12,218	—
Operating income (loss)	(6,173)	(664)	(1,612)	5,171	13,448
Financial income (expenses), net	(557)	1,050	1,300	5,998	(742)
Expenses related to aborted merger transaction			(2,350)		—
Other income (expenses)	37,360	2,396	2,983	(116)	138
Income (loss) before taxes on income	30,630	2,782	321	11,053	12,844
Taxes on income	11	904	1,445	963	2,357
Net income (loss)	30,619	1,878	(1,124)	10,090	10,487
Net earnings (loss) per share					
Basic	0.76	0.05	(0.03)	0.26	0.41
Diluted	0.73	0.04	(0.03)	0.24	0.38
Weighted average number of shares used in computing net earnings (loss) per share:					
Basic	40,467	40,159	39,901	39,141	25,799
Diluted	41,985	41,474	39,901	41,576	27,520

As of December 31,

	2010	2009	2008	2007	2006
			U.S. dollars in thousands		
Balance Sheet Data:					
Working capital	78,808	164,280	152,806	151,367	120,634
Total assets	455,378	357,228	410,639	430,102	440,214
Short-term bank credit and current maturities of long-term debt	4,315	5,220	10,846	11,177	7,737
Convertible subordinated notes	14,379	15,220	16,315	16,315	16,333
Long term loan	40,000				
Other long-term liabilities	49,034	37,297	45,414	61,130	74,253
Shareholders' equity	264,113	232,295	230,224	227,810	212,059

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our ordinary shares involves a high degree of risk and uncertainty. You should carefully consider the risks and uncertainties described below before investing in our ordinary shares. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially harmed. In that case, the value of our ordinary shares could decline substantially, and you could lose all or part of your investment.

Risks Relating to Our Business

We have incurred major losses in past years and may not sustain profitable operations in the future.

We reported a net income of approximately $ 30.6 million in 2010, compared to net income of approximately $ 1.9 million in 2009 and a net loss of approximately $ 1.1 million in 2008. Our 2010 net income derived mainly from the sale of our investment which had previously been written off in a company that was accounted for at cost and from the settlement of litigation related to the termination of a 2008 merger agreement with a consortium of private equity investors. We incurred major losses in past years, an operating loss of $6.2 million in the year ended December 31, 2010 and currently have an accumulated deficit of $604 million. We cannot assure you that we can operate profitably in the future. If we do not continue to operate profitably, the viability of our company will be in question and our share price would decline.

Our available cash balance may decrease in the future if we cannot generate cash from operations.

Our total cash balance decreased from approximately $163.2 million as of December 31, 2009 to $64.5 million as of December 31, 2010. This decrease is mainly attributable to funds used in our merger and acquisition activities during 2010 of approximately $154 million, net of cash received, offset by a $40 million loan we received in December 2010. We had negative cash flow from operating activities in each of the two years ended December 31, 2009 and 2008, and our positive cash flow from operating activities in 2010 was mainly derived from the proceeds of the sale of an investment and the settlement of a lawsuit. We cannot assure that we will be able to generate cash from operations in the future. If we do not generate cash from operations, our cash balance will decline and the unavailability of cash could have a material adverse effect on our business, operating results and financial condition.

If commercial satellite communications markets fail to grow, our business could be materially harmed.

A number of the commercial markets for our products and services in the satellite communications area, including our broadband products, have emerged in recent years. Because these markets are relatively new, it is difficult to predict the rate at which these markets will grow, if at all. If the markets for commercial satellite communications products fail to grow our business could be materially harmed. Conversely, growth in these markets could result in satellite capacity limitations which in turn could materially harm our business and impair the value of our shares. Specifically, we derive virtually all of our revenues from sales of VSAT communications networks and VSAT-related equipment and provision of services related to these networks and products. A significant decline in this market or the replacement of VSAT technology by an alternative technology could materially harm our business and impair the value of our shares.

Because we compete for large-scale contracts in competitive bidding processes, losing a small number of bids could have a significant adverse impact on our operating results.

A significant portion of our revenues is derived from acting as the supplier of networks based on VSATs, under large scale contracts that we are awarded from time to time in competitive bidding processes. These large-scale contracts sometimes involve the installation of thousands of VSATs. The number of major bids for these large-scale contracts for VSAT-based networks in any given year is limited and the competition is intense. Losing or defaulting on a relatively small number of bids each year could have a significant adverse impact on our operating results.

We operate in a highly competitive network communications industry. We may be unsuccessful in competing effectively against competitors who have substantially greater financial resources.

We operate in a highly competitive industry of network communications, both in the sales of our products and our services. As a result of the rapid technological changes that characterize our industry, we face intense worldwide competition to capitalize on new opportunities, to introduce new products and to obtain proprietary and standard technologies that are perceived by the market as being superior to those of our competitors. Some of our competitors have greater financial resources, providing them with greater research and development and marketing capabilities. Our competitors may also be more experienced in obtaining regulatory approvals for their products and services and in marketing them. Our relative position in the network communications industry may place us at a disadvantage in responding to our competitors' pricing strategies, technological advances and other initiatives. Our principal competitors in the supply of VSAT networks are Hughes Network Systems, LLC, or HNS, ViaSat Inc. or Viasat, and iDirect Technologies, or iDirect. Most of our competitors have developed or adopted different technology standards for their VSAT products.

In addition, the launch of the SpaceWAY3 satellite by HNS, which enables HNS to offer a vertically integrated solution to its customers, as well as the announcement concerning ViaSat's intention to launch its own satellite (ViaSat-1) and HNS's intention to launch an additional satellite (Jupiter), may change the competitive environment in which we operate and could have an adverse effect on our business.

In the U.S. market, where we operate as a service provider via Spacenet, the enterprise wide area network, or WAN, market is extremely competitive, with a number of established VSAT and terrestrial providers competing for nearly all contracts. The U.S. enterprise VSAT market is primarily served by HNS and Spacenet. In addition, more recently, Spacenet's primary competitors in the enterprise WAN market are large terrestrial carriers such as AT&T, Verizon and Qwest.

In Peru and Colombia, where we primarily operate public rural telecom services, we typically encounter competition on government subsidized bids from various service providers, system integrators and consortiums. Some of these competitors offer solutions based on VSAT technology and some on alternate technologies (typically cellular, wireless local loop or WiMAX). In addition, as competing technologies such as cellular telephones become available in areas where not previously available, such as in rural communities of Peru and Colombia, our business can be adversely affected.

Our lengthy sales cycles could harm our results of operations if forecasted sales are delayed or do not occur.

The length of time between the date of initial contact with a potential customer or sponsor and the execution of a contract with the potential customer or sponsor may be lengthy and vary significantly depending on the nature of the arrangement. During any given sales cycle, we may expend substantial funds and management resources and not obtain significant revenue, resulting in a negative impact on our operating results. In the past, we have seen longer sales cycles in all of the regions in which we do business. In addition, we have seen projects delayed or even canceled, which would also have an adverse impact on our sales cycles.

We may engage in acquisitions that could harm our business, results of operations and financial condition, and dilute our shareholders' equity.

We have a corporate business development team whose goal is to pursue new business opportunities. This team pursues growth opportunities through internal development and through the acquisition of complementary businesses, products and technologies. The process of integrating an acquired business may be prolonged due to unforeseen difficulties and may require a disproportionate amount of our resources and management attention. We cannot assure you that we will be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into our operations, or expand into new markets. Further, once integrated, acquisitions may not achieve comparable levels of revenues, profitability or productivity as our existing business or otherwise perform as expected. The occurrence of any of these events could harm our business, financial condition or results of operations.

In July and August 2010, we completed the acquisition of RAS, a leading provider of Satcom-On-The-Move antenna solutions and RaySat BG, a Bulgarian research and development center, for a total consideration of $25 million and $5.7 million respectively. In November 2010, we completed the acquisition of Wavestream, a provider of high power solid state amplifiers, or SSPA, Block Upconverters, or BUC, with field-proven, high performance solutions designed for mobile and fixed satellite communication, or SATCOM, systems worldwide in consideration for $135 million. We may not be able to successfully integrate the operations of RAS, RaySat BG or Wavestream into our business or successfully exploit the solutions that we acquired. Future acquisitions may require substantial capital resources, which may not be available to us or may require us to seek additional debt or equity financing.

The risks associated with acquisitions by us include the following, any of which could seriously harm our results of operations or the price of our shares:

- issuance of equity securities that would dilute our current shareholders' percentages of ownership;
- significant acquisition costs;
- decrease of our cash balance;
- the incurrence of debt and contingent liabilities;
- difficulties in the assimilation and integration of operations, personnel, technologies, products and information systems of the acquired companies;

- diversion of management's attention from other business concerns;
- contractual disputes;
- risks of entering geographic and business markets in which we have no or only limited prior experience;
- potential loss of key employees of acquired organizations.
- the possibility the business cultures will not be compatible;
- the difficulty of incorporating acquired technology and rights into our products and services;
- unanticipated expenses related to integration of the acquired companies;
- difficulties in implementing and maintaining uniform standards, controls and policies;
- the impairment of relationships with employees and customers as a result of any integration of new personnel;
- potential inability to retain, integrate and motivate key management, marketing, technical sales and customer support personnel;
- potential unknown liabilities associated with acquired businesses; and
- impairment of goodwill and other assets acquired.

Our failure to manage growth effectively could impair our business, financial condition and results of operations.

Many of our large scale contracts are with governments or large enterprises in Latin America and other parts of the world, so that any instability in the exchange rates or in the political or economic situation or any unexpected unilateral termination or suspension of payments could have a significant adverse impact on our business.

In recent years, a significant portion of our revenues has been derived from large scale contracts with foreign governments and agencies, including those in Peru, India and Colombia. Agreements with the governments in these countries typically include unilateral early termination clauses and involve other risks such as the imposition of new government regulations and taxation that could pose additional financial burdens on us. In addition, the foreign exchange risks in these countries are often significant due to possible fluctuations in local currencies relative to the U.S. dollar. We do not have a policy of hedging specific contracts. In some cases we hedge the risks involved in our general operations in Israel and in our subsidiaries abroad. Any termination of business in any of the aforementioned countries or any instability in the exchange rates could have a significant adverse impact on our business.

In December 2010, the Ministry of Communications in Colombia amended and extended our agreements for the provision of services for an additional one-year term, through December 2011. In 2010 our revenues derived from these projects in Colombia generated 7% of our total revenues. In the event that we are not able to extend the current agreements beyond 2011, or if the terms under which the agreements are extended are not favorable, or if we are unable to generate new business in Colombia, we may not be able to operate our business in Colombia at a profit.

If we are unable to develop, introduce and market new innovative products, applications and services on a cost effective and timely basis, our business could be adversely affected.

The network communications market, to which our products and services are targeted, is characterized by rapid technological changes, new product introductions and evolving industry standards. If we fail to stay abreast of significant technological changes, our existing products and technology could be rendered obsolete. Historically, we have enhanced the applications of our existing products to meet the technological changes and industry standards. Our success is dependent upon our ability to continue to develop new innovative products, applications and services and meet developing market needs.

To remain competitive in the network communications market, we must continue to be able to anticipate changes in technology, market demands and industry standards and to develop and introduce new products, applications and services, as well as enhancements to our existing products, applications and services. If we are unable to respond to technological advances on a cost-effective and timely basis, or if our new products or applications are not accepted by the market, our business, financial condition and operating results could be adversely affected.

Competitors in the low-profile antenna market are introducing new and improved products and our ability to remain competitive in this field will depend in part on our ability to advance our own technology.

New products and technologies for power amplifiers, such as Gallium Nitride, or GAN, may compete with our current Wavstream SSPA offerings, and may reduce the market prices and success of our products.

A decrease in the selling prices of our products and services could materially harm our business.

The average selling prices of wireless communications products historically decline over product life cycles. In particular, we expect the average selling prices of our products to decline as a result of competitive pricing pressures and customers who negotiate discounts based on large unit volumes. A decrease in the selling prices of our products and services could have a material adverse effect on our business.

Competition of Ka-Band satellite services

In some markets, such as in the United States and Europe, our competitors have launched Ka-band satellites and another has announced plans to launch a Ka-band satellite. These actions may affect our competitiveness due to the relative lower cost of Ka-band space segment per user as well as the increased integration of the VSAT technology in the satellite solution. Although our technology is compatible with Ka-band satellites, our entrance into that market will be gradual and is not assured. We also expect that competition in this industry will continue to increase. Due to the nature of the Ka-band solution to date, where the VSAT technology is tied to the satellite technology itself, there may be circumstances where it is difficult for competitors to compete with the incumbent VSAT vendor using the particular Ka-band satellite. If this occurs, the market dynamics may change to one of the VSAT vendor partnering with the satellite service provider which may decrease the number of vendors who may be able to succeed. If we are unable to forge such a partnership our business could be adversely affected.

If we lose existing contracts and orders for our products are not renewed, our ability to generate revenues will be harmed.

A significant part of our business in 2010 was generated from recurring customers. As a result, the termination or non-renewal of our contracts could have a material adverse effect on our business, financial condition and operating results. Some of our existing contracts could be terminated due to any of the following reasons, among others:

- dissatisfaction of our customers with our products and/or the services we provide or our inability to provide or install additional products or requested new applications on a timely basis;
- customers' default on payments due;
- our failure to comply with financial covenants in our contracts;

- the cancellation of the underlying project by the government-sponsoring body; or

- the loss of existing contracts or a decrease in the number of renewals of orders or the number of new large orders.

If we are not able to gain new customers and retain our present customer base, our revenues will decline significantly. In addition, if Spacenet has a higher than anticipated subscriber churn rate, or if Gilat Peru & Colombia does not win new government related contracts, this could materially adversely affect our financial position.

Our new business focus on military and related defense markets is dependent on defense spending and may be adversely affected if the pace of spending by the U.S. Departments of Defense and Homeland Security and other government and security organizations internationally is slower than anticipated.

The market for our VSAT, satellite on the move antennas and SSPAs for defense, public safety and law enforcement is highly dependent on the spending cycle and spending scope of the U.S. Departments of Defense and Homeland Security, as well as of local, state and municipal governments and security organizations in international markets. The funding of programs for which our products are being marketed is subject to government budgeting decisions affected by numerous factors, including geo-political events and macro-economic conditions that are beyond our control. We cannot be sure that the spending cycle will materialize as we expect and that we will be positioned to benefit from the potential opportunities, especially in light of the current unfavorable economic and market conditions.

Our failure to obtain or maintain authorizations under the U.S. export control and trade sanctions laws and regulations could have a material adverse effect on our business.

The export of satellite communication equipment and technical information related to satellites, VSAT and VSAT-related equipment and services to certain countries are subject to U.S. State Department, Commerce Department and Treasury Department regulations, including International Traffic in Arms Regulations, or ITAR. If we do not maintain our existing authorizations or obtain necessary future authorizations under the export control laws and regulations of the United States, including by entering into technical assistance agreements to disclose technical data or provide services to foreign persons, we may be unable to export technical information or equipment to non-U.S. persons and companies, including to our own non-U.S. employees, as may be required to fulfill contracts we may enter into. In addition, to participate in classified U.S. government programs, we would have to obtain security clearances from the U.S. Department of Defense for one or more of our subsidiaries that would want to participate. Such clearance may require that we enter into a proxy agreement with the U.S. government, which would limit our ability to control the operations of the subsidiary and which may impose on us substantial administrative burdens in order to comply. Further, if we materially violate the terms of any proxy agreement, the subsidiary holding the security clearances may be suspended or debarred from performing any government contracts, whether classified or unclassified. If we fail to maintain or obtain the necessary authorizations under the U.S. export control laws and regulations, we may not be able to realize our market focus and our business could be materially adversely affected.

Wavestream is dependent on a single customer and on business with the defense market.

Wavestream is dependent on a single customer for a significant portion of its revenues and the deferral or loss of sales to such a customer could have a material adverse affect on our business and operating results. Our revenues from Wavestream are also dependent on business from the defense market, being derived directly or indirectly from sales to government agencies, mainly the U.S. Department of Defense, pursuant to contracts awarded to system integrators under defense-related programs. Government spending under such contracts may cease or may be reduced, which would cause a negative effect on our revenues, results of operations, cash flow and financial condition. Although we intend to move into additional markets, we may not be successful in our plans for Wavestream to penetrate into broadcast and international markets, which are new and untried for our SSPA product line and will require additional expenditures for research and development. We may not be able to develop new technologies for those markets on a timely basis. Barriers to entry into those markets or delays in our development programs could have a material adverse affect on our business and operating results.

A decline or reprioritization of funding in the U.S. defense budget, or delays in the budget process could adversely affect the business of Wavestream and its ability to grow or maintain its sales, earnings, and cash flow.

Wavestream is heavily dependent on sales to government defense agencies for its revenues, mainly the U.S. Department of Defense, pursuant to contracts awarded to system integrators under defense-related programs. We expect that Wavestream will continue to derive most of its sales from the U.S. Government.

Government purchasing is conditioned upon the continuing availability of Congressional appropriations. The programs in which Wavestream participates must compete with other programs and policy imperatives for consideration during the budget and appropriation process. Concerns about increased deficit spending, along with continued economic challenges, continue to place pressure on U.S. and international customer budgets. Efforts to reduce government spending may result in reduced demand for Wavestream's products, resulting in a reduction in its revenues and would adversely affect its business and results of operations. If the demand for Wavestream's products diminishes significantly, we may be required to recognize an impairment loss.

We are dependent on contracts with governments around the world for a significant portion of our revenue. These contracts may expose us to additional business risks and compliance obligations.

Since 2009, we have focused on expanding our business to include contracts with or for various governments around the world, including US federal, state, and local government agencies. Our business generated from government contracts may be materially adversely affected if:

- our reputation or relationship with government agencies is impaired;
- we are suspended or otherwise prohibited from contracting with a domestic or foreign government or any significant law enforcement agency;
- levels of government expenditures and authorizations for law enforcement and security related programs decrease or shift to programs in areas where we do not provide products and services;
- we are prevented from entering into new government contracts or extending existing government contracts based on violations or suspected violations of laws or regulations, including those related to procurement;
- we are not granted security clearances that are required to sell our products to domestic or foreign governments or such security clearances are deactivated;
- there is a change in government procurement procedures; or
- there is a change in political climate that adversely affects our existing or prospective relationships.

We depend on our main facility in Israel and are susceptible to any event that could adversely affect its condition.

Most of our laboratory capacity, our principal offices and principal research and development facilities are primarily concentrated in a single location in Israel, with facilities for research and development and manufacturing of components for our low profile antennas at a single location in Bulgaria. Wavestream’s principal offices, research and development and engineering and manufacturing facilities are located at a single location in California. Fire, natural disaster or any other cause of material disruption in our operation in any of these locations could have a material adverse effect on our business, financial condition and operating results.

We would be adversely affected if we are unable to retain key employees.

Our success depends in part on key management, sales, marketing and development personnel and our continuing ability to attract and retain highly qualified personnel. There is competition for the services of such personnel. The loss of the services of key personnel, and the failure to attract highly qualified personnel in the future, may have a negative impact on our business. Moreover, our competitors may hire and gain access to the expertise of our former employees.

Trends and factors affecting the telecommunications industry are beyond our control and may result in reduced demand and pricing pressure on our products.

We operate in the telecommunication industry and are influenced by trends of that industry, which are beyond our control and may affect our operations. These trends include:

- adverse changes in the public and private equity and debt markets and our ability, as well as the ability of our customers and suppliers, to obtain financing or to fund working capital and capital expenditures;
- adverse changes in the credit ratings of our customers and suppliers;
- adverse changes in the market conditions in our industry and the specific markets for our products;
- access to, and the actual size and timing of, capital expenditures by our customers;
- inventory practices, including the timing of product and service deployment, of our customers;
- the amount of network capacity and the network capacity utilization rates of our customers, and the amount of sharing and/or acquisition of new and/or existing network capacity by our customers;
- the overall trend toward industry consolidation and rationalization among our customers, competitors, and suppliers;
- increased price reductions by our direct competitors and by competing technologies including, for example, the introduction of Ka-band satellite systems by our direct competitors which could significantly drive down market prices or limit the availability of satellite capacity for use with our VSAT systems;
- conditions in the broader market for communications products, including data networking products and computerized information access equipment and services;
- governmental regulation or intervention affecting communications or data networking;
- monetary stability in the countries where we operate; and
- the effects of war and acts of terrorism, such as disruptions in general global economic activity, changes in logistics and security arrangements, and reduced customer demand for our products and services.

These trends and factors may reduce the demand for our products and services or require us to increase our research and development expenses and may harm our financial results.

Unfavorable global economic conditions could have a material adverse effect on our business, operating results and financial condition

Although economic conditions in many countries have stabilized somewhat following the widespread contraction in late 2008 and 2009 and into 2010, the revenues of many of our customers decreased substantially compared to recent years. As a result, our customers reduced their spending in late 2008 and 2009 and may continue to reduce or postpone their spending significantly. This resulted in reductions in sales of our products and services in some markets, longer sales cycles, slower adoption of new technologies and increased price competition. In addition, weakness in the end-user market could negatively affect the cash flow of our customers who could, in turn, delay paying their obligations to us or ask us for vendor financing. This could increase our credit risk exposure and cause delays in our recognition of revenues on future sales to these customers. Specific economic trends, such as declines in the demand for telecommunications products and services, the tightening of credit markets, or weakness in corporate spending, could have a direct impact on our business. Any of these events would likely harm our business, operating results and financial condition. If global economic and market conditions do not improve, or weaken further, it may have a material adverse effect on our business, operating results and financial condition.

Our international sales expose us to changes in foreign regulations and tariffs, tax exposures, political instability and other risks inherent to international business, any of which could adversely affect our operations.

We sell and distribute our products and provide our services internationally, particularly in the United States, Latin America, Asia, Africa and Europe. A component of our strategy is to continue to expand into new international markets. Our operations can be limited or disrupted by various factors known to affect international trade. These factors include the following:

- imposition of governmental controls, regulations and taxation which might include a government's decision to raise import tariffs or license fees in countries in which we do business;
- government regulations that may prevent us from choosing our business partners or restrict our activities. For example, a particular country may decide that high-speed data networks used to provide access to the Internet should be made available generally to Internet service providers and may require us to provide our wholesale service to any Internet service provider that request it, including entities that compete with us. If we become subject to any additional obligations such as these, we would be forced to comply with potentially costly requirements and limitations on our business activities, which could result in a substantial reduction in our revenue;
- tax exposures in various jurisdictions relating to our activities throughout the world;
- political and/or economic instability in countries in which we do or desire to do business. Such unexpected changes have had an adverse affect on the gross margin of some of our projects. We also face similar risks from potential or current political and economic instability as well as volatility of foreign currencies in countries such as Colombia, Brazil, Venezuela and certain countries in East Asia.
- difficulties in staffing and managing foreign operations that might mandate employing staff in various countries to manage foreign operations. This change could have an adverse effect on the profitability of certain projects;
- longer payment cycles and difficulties in collecting accounts receivable;
- foreign exchange risks due to fluctuations in local currencies relative to the dollar; and

- relevant zoning ordinances that may restrict the installation of satellite antennas and might also reduce market demand for our service. Additionally, authorities may increase regulation regarding the potential radiation hazard posed by transmitting earth station satellite antennas' emissions of radio frequency energy that may negatively impact our business plan and revenues.

Any decline in commercial business in any country may have an adverse effect on our business as these trends often lead to a decline in technology purchases or upgrades by private companies. We expect that in difficult economic periods, countries in which we do business will find it more difficult to raise financing from investors for the further development of the telecommunications industry, and private companies will find it more difficult to finance the purchase or upgrade of our technology. Any such changes could adversely affect our business in these and other countries.

We may face difficulties in obtaining regulatory approvals for our telecommunication services and products, which could adversely affect our operations.

Our telecommunication services require licenses and approvals by the Federal Communications Commission, or FCC, in the United States, and by regulatory bodies in other countries. In the United States, the operation of satellite earth station facilities and VSAT systems such as ours are prohibited except under licenses issued by the FCC. We must also obtain approval of the regulatory authority in each country in which we propose to provide network services or operate VSATs. The approval process in Latin America and elsewhere can often take a substantial amount of time and require substantial resources.

In addition, any approvals that are granted may be subject to conditions that may restrict our activities or otherwise adversely affect our operations. Also, after obtaining the required approvals, the regulating agencies may, at any time, impose additional requirements on our operations. We cannot assure you that we will be able to comply with any new requirements or conditions imposed by such regulating agencies on a timely or economically efficient basis.

Our products are also subject to certain homologation requirements – certification of compliance with local regulatory standards. Delays in receiving such certification could adversely affect our operations.

Our operating results may vary significantly from quarter to quarter and these quarterly variations in operating results, as well as other factors, may contribute to the volatility of the market price of our shares.

Our operating results have and may continue to vary significantly from quarter to quarter. The causes of fluctuations include, among other things:

- the timing, size and composition of orders from customers;
- the timing of introducing new products and product enhancements by us and the level of their market acceptance;
- the mix of products and services we offer; and
- the changes in the competitive environment in which we operate.

The quarterly variation of our operating results, may, in turn, create volatility in the market price for our shares. Other factors that may contribute to wide fluctuations in our market price, many of which are beyond our control, include, but are not limited to:

- economic instability;
- announcements of technological innovations;
- customer orders or new products or contracts;

- competitors' positions in the market;
- changes in financial estimates by securities analysts;
- conditions and trends in the VSAT and other technology industries relevant to our businesses;
- our earnings releases and the earnings releases of our competitors; and
- the general state of the securities markets (with particular emphasis on the technology and Israeli sectors thereof).

In addition to the volatility of the market price of our shares, the stock market in general and the market for technology companies in particular have been highly volatile and at times thinly traded. Investors may not be able to resell their shares during and following periods of volatility.

Our actions to protect our proprietary VSAT technology may be insufficient to prevent others from developing products similar to our products.

Our business is based mainly on our proprietary VSAT technology and related products and services. We establish and protect proprietary rights and technology used in our products by the use of patents, trade secrets, copyrights and trademarks. We also utilize non-disclosure and intellectual property assignment agreements. Because of the rapid technological changes and innovation that characterize the network communications industry, our success will depend in large part on our ability to protect and defend our intellectual property rights. Our actions to protect our proprietary rights in our VSAT technology and related products may be insufficient to prevent others from developing products similar to our products. In addition, the laws of many foreign countries do not protect our intellectual property rights to the same extent as the laws of the United States. If we are unable to protect our intellectual property, our ability to operate our business and generate expected revenues may be harmed.

We may at times be subject to claims by third parties alleging that we are infringing on their intellectual property rights. We may be required to commence litigation to protect our intellectual property rights. Any intellectual property litigation may continue for an extended period and may materially adversely affect our business, financial condition and operating results.

There are numerous patents, both pending and issued, in the network communications industry. We may unknowingly infringe on a patent. We may from time to time be notified of claims that we are infringing on the patents, copyrights or other intellectual property rights owned by third parties. While we do not believe that we have infringed in the past or are infringing at present on any intellectual property rights of third parties, we cannot assure you that we will not be subject to such claims.

In addition, we may be required to commence litigation to protect our intellectual property rights and trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against third-party claims of invalidity or infringement. An adverse result in any litigation could force us to pay substantial damages, stop designing or manufacturing, using and selling the infringing products, spend significant resources to develop non-infringing technology, discontinue using certain processes or obtain licenses to use the infringing technology. In addition, we may not be able to develop non-infringing technology, and we may not be able to find appropriate licenses on reasonably satisfactory terms. Any such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on our business, financial condition and operating results.

Potential product liability claims relating to our products could have a material adverse effect on our business.

We may be subject to product liability claims relating to the products we sell. Potential product liability claims could include those for exposure to electromagnetic radiation from the antennas we provide. Our agreements with our business customers generally contain provisions designed to limit our exposure to potential product liability claims. We also maintain a product liability insurance policy. However, our contractual limitation of liability may be rejected or limited in certain jurisdiction and our insurance may not cover all relevant claims or may not provide sufficient coverage. To date, we have not experienced any material product liability claim. Our business, financial condition and operating results could be materially adversely affected if costs resulting from future claims are not covered by our insurance or exceed our coverage.

We are dependent upon a limited number of suppliers for key components that are incorporated in our products, including those used to build our hubs and VSATs, and may be significantly harmed if we are unable to obtain such components on favorable terms or on a timely basis. We are also dependent upon a limited number of suppliers of space segment capacity, and may be significantly harmed if we are unable to obtain the space segment for the provision of services on favorable terms or on a timely basis.

Several of the components required to build our VSATs and hubs are manufactured by a limited number of suppliers. We have not experienced any difficulties with our suppliers with respect to availability of components. However, we cannot assure you of the continuous availability of key components or our ability to forecast our component requirements sufficiently in advance. Our research and development and operations groups are continuously working with our suppliers and subcontractors to obtain components for our products on favorable terms in order to reduce the overall price of our products. If we are unable to obtain the necessary volume of components at sufficiently favorable terms or prices, we may be unable to produce our products at competitive prices. As a result, sales of our products may be lower than expected, which could have a material adverse effect on our business, financial condition and operating results. In addition, our suppliers are not always able to meet our requested lead times. If we are unable to satisfy customers' needs on time, we could lose their business.

In 2007 we entered into an outsourcing manufacturing agreement with a single source manufacturer for almost all of our indoor units. This agreement exposes us to certain risks related to our dependence on a single manufacturer which could include failure in meeting time tables and quantities, or material price increases which may affect our ability to provide competitive prices. We estimate that the replacement of the outsourcing manufacturer would, if necessary, take a period of between six to nine months.

There are only a limited number of suppliers of satellite transponder capacity and a limited amount of space segment available. We are dependent on these suppliers for our provision of services in Peru, Colombia and the United States. While we do secure long term agreements with our satellite transponder providers, we cannot assure the continuous availability of space segment, the pricing upon renewals of space segment and the continuous availability and coverage in the regions where we supply services. If we are unable to secure contracts with satellite transponder providers with reliable service at competitive prices, our services business could be adversely affected.

On March 11, 2011, a massive earthquake off the eastern coast of Japan triggered a devastating tsunami tidal wave, causing damage and destruction. It is too early to predict the long-term impact of this disaster on the availability of the components we source from Japan. Any long-term inability to obtain these components may result in our failure to meet time tables and quantity requirements, or may result in material price increases which may affect our ability to provide competitive prices.

Our insurance coverage may not be sufficient for every aspect or risk related to our business.

Our business includes risks, only some of which are covered by our insurance. For example, in many of our satellite capacity agreements, we do not have a back up for satellite capacity, and we do not have indemnification or insurance in the event that our supplier's satellite malfunctions or is lost. In addition, we are not covered by our insurance for acts of fraud or theft. Our business, financial condition and operating results could be materially adversely affected if we incur significant costs resulting from these exposures.

Risks Related to Ownership of Our Ordinary Shares

Our share price has been highly volatile and may continue to be volatile and decline.

The trading price of our shares has fluctuated widely in the past and may continue to do so in the future as a result of a number of factors, many of which are outside our control. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market prices of many technology companies, particularly telecommunication and Internet-related companies, and that have often been unrelated or disproportionate to the operating performance of these companies. These broad market fluctuations could adversely affect the market price of our shares. In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. Securities class action litigation against us could result in substantial costs and a diversion of our management's attention and resources.

If U.S. tax authorities were to treat us as a "passive foreign investment company", that could have an adverse consequences on U.S. holders.

Holders of our ordinary shares who are United States residents may face income tax risks. There is a risk that we will be treated as a "passive foreign investment company." Our treatment as a passive foreign investment company could result in a reduction in the after-tax return to the holders of our ordinary shares and would likely cause a reduction in the value of such shares. A foreign corporation will be treated as a passive foreign investment company for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income," or (2) at least 50% of the average value of the corporation's gross assets produce, or are held for the production of, such types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." Those holders of shares in a passive foreign investment company who are citizens or residents of the United States or domestic entities would alternatively be subject to a special adverse U.S. federal income tax regime with respect to the income derived by the passive foreign investment company, the distributions they receive from the passive foreign investment company and the gain, if any, they derive from the sale or other disposition of their shares in the passive foreign investment company. In particular, any dividends paid by us would not be treated as "qualified dividend income" eligible for preferential tax rates in the hands of non-corporate U.S. shareholders. United States residents should carefully read Item 10E. Additional Information – Taxation, for a more complete discussion of the U.S. federal income tax risks related to owning and disposing of our ordinary shares.

The concentration of our ordinary share ownership may limit our shareholders' ability to influence corporate matters.

As of March 31, 2011, York Capital Management, or York, and entities affiliated with them beneficially own approximately 20% of our outstanding ordinary shares. As a result, York may have a substantial influence over all matters that require approval by our shareholders, including the election of directors and approval of significant corporate transactions. Corporate actions might be taken even if other shareholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other shareholders may view as beneficial.

Future sales of our ordinary shares and the future exercise of options may cause the market price of our ordinary shares to decline and may result in substantial dilution.

We cannot predict what effect, if any, future sales of our ordinary shares by York and our other 5% shareholders, or the availability of our ordinary shares for future sale, including shares issuable upon the exercise of our options, will have on the market price of our ordinary shares. Pursuant to a registration rights agreement with York, we filed a registration statement with the Securities and Exchange Commission allowing for the disposition of 8,121,651 shares by them from time to time. Sales of substantial amounts of our ordinary shares in the public market by our 5% shareholders, or the perception that such sales could occur, could adversely affect the market price of our ordinary shares and may make it more difficult for you to sell your ordinary shares at a time and price you deem appropriate.

We have never paid cash dividends and have no intention to pay dividends in the foreseeable future.

We have never paid cash dividends on our shares and do not anticipate paying any cash dividends in the foreseeable future. We intend to continue retaining earnings for use in our business, in particular to fund our research and development, which are important to capitalize on technological changes and develop new products and applications. In addition, the terms of some of our financing arrangements restrict us from paying dividends to our shareholders. Any future dividend distributions are subject to the discretion of our board of directors and will depend on various factors, including our operating results, future earnings, capital requirements, financial condition, tax implications of dividend distributions on our income, future prospects and any other factors deemed relevant by our board of directors. The distribution of dividends also may be limited by Israeli law, which permits the distribution of dividends only out of retained earnings or otherwise upon the permission of the court. You should not rely on an investment in our company if you require dividend income from your investment.

Our ordinary shares are traded on more than one market and this may result in price variations.

Our ordinary shares are traded on the NASDAQ Global Select Market and on the Tel Aviv Stock Exchange. Trading in our ordinary shares on these markets is made in different currencies (U.S. dollars on the NASDAQ Global Select Market, and new Israeli Shekels, or NIS, on the Tel Aviv Stock Exchange), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Israel). Consequently, the trading prices of our ordinary shares on these two markets often differ. Any decrease in the trading price of our ordinary shares on one of these markets could cause a decrease in the trading price of our ordinary shares on the other market.

Risks Related To Regulatory Matters

We have historically relied, and in the future intend to rely, upon tax benefits from the State of Israel to reduce our taxable income. The termination or reduction of these tax benefits would significantly increase our costs and could have a material adverse effect on our financial condition and results of operations.

Under the Israeli Law for Encouragement of Capital Investments, 1959, or the Investment Law, portions of our Israeli facility qualify as "Approved Enterprises." As a result, we have been eligible for tax benefits for the first several years in which we generated taxable income from such "Approved Enterprise." Our historical operating results reflect substantial tax benefits, including tax exemptions and decreased tax rates up to December 31, 2000. In 2001, 2002 and 2003, we had substantial losses for tax purposes and a decrease in revenues and therefore could not realize any tax benefits since then due to current and/or carry forward losses. On April 1, 2005, an amendment to the Investment Law, or the Amendment, came into effect, that significantly changed the provisions of the Investment Law and the criteria for new investments qualified to receive tax benefits. The Amendment enacted major changes in the manner in which tax benefits are awarded under the Investment Law so that companies no longer require approval of the Investment Center of the Ministry of Industry, Commerce and Labor of the State of Israel, or the Investment Center, in order to qualify for tax benefits. The Amendment is applied to new approved enterprises and there is no assurance that we will, in the future, be eligible to receive additional tax benefits under this law. Our financial condition and results of operations could suffer if the Israeli government terminated or reduced the current tax benefits available to us.

In order to be eligible for these tax benefits under the Amendment, we must comply with two material conditions. We must invest a specified amount in property and equipment in Israel, and at least 25% of each new "Approved Enterprise" income should be derived from export. We believe we have complied with these conditions, as well as other conditions specified in this law, but we have not received confirmation of our compliance from the Israeli government. If we fail in the future to comply in whole or in part with these conditions, we may be required to pay additional taxes and would likely be denied these tax benefits in the future, which could harm our financial condition and results of operations.

The transfer and use of some of our technology and its production is limited because of the research and development grants we received from the Israeli government to develop such technology.

Our research and development efforts associated with the development of certain of our legacy products have been partially financed through grants from the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor, or the OCS. We may be subject to certain restrictions under the terms of the OCS grants. Specifically, any product incorporating technology developed with the funding provided by these grants may not be manufactured, nor may the technology which is embodied in our products be transferred outside of Israel without appropriate governmental approvals. Such approvals, if granted, would involve increased payments to the OCS. These restrictions do not apply to the sale or export from Israel of our products developed with this technology.

Your rights and responsibilities as a shareholder are governed by Israeli law and differ in some respects from those under Delaware law.

Because we are an Israeli company, the rights and responsibilities of our shareholders are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in a Delaware corporation. In particular, a shareholder of an Israeli company has a duty to act in good faith towards the company and other shareholders and to refrain from abusing his, her or its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters. Israeli law provides that these duties are applicable to shareholder votes on, among other things, amendments to a company's articles of association, increases in a company's authorized share capital, mergers and interested party transactions requiring shareholder approval. In addition, a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness towards the company. However, Israeli law does not define the substance of this duty of fairness. Because Israeli corporate law has undergone extensive revisions in recent years, there is little case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

As a foreign private issuer whose shares are listed on the NASDAQ Global Select Market, we may follow certain home country corporate governance practices instead of certain NASDAQ requirements, which may not afford shareholders with the same protections that shareholders of domestic companies have. We follow Israeli law and practice instead of NASDAQ rules regarding the director nominations process, the composition of our audit committee, compensation of executive officers and the requirement to obtain shareholder approval for the establishment or amendment of certain equity-based compensation plans and arrangements.

As a foreign private issuer whose shares are listed on the NASDAQ Global Select Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of The NASDAQ Marketplace Rules. We follow Israeli law and practice instead of The NASDAQ Marketplace Rules with respect to the director nominations process, the composition of our audit and compensation committee, compensation of executive officers and the requirement to obtain shareholder approval for the establishment or material amendment of certain equity-based compensation plans and arrangements. As a foreign private issuer listed on the NASDAQ Global Select Market, we may also follow home country practice with regard to, among other things, the requirement to obtain shareholder approval for certain dilutive events (such as for an issuance that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company). A foreign private issuer that elects to follow a home country practice instead of NASDAQ requirements must submit to NASDAQ in advance a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. In addition, a foreign private issuer must disclose in its annual reports filed with the Securities and Exchange Commission each such requirement that it does not follow and describe the home country practice followed by the issuer instead of any such requirement. Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ's corporate governance rules.

We may fail to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, which could have an adverse effect on our financial results and the market price of our ordinary shares.

The Sarbanes-Oxley Act of 2002 imposes certain duties on us and on our executives and directors. Our efforts to comply with the requirements of Section 404, which started in connection with our 2006 Annual Report on Form 20-F, have resulted in an increased general and administrative expense and a diversion of management time and attention, and we expect these efforts to require the continued commitment of resources. Section 404 of the Sarbanes-Oxley Act requires us to provide (i) management's annual review and evaluation of our internal control over financial reporting and (ii) a statement by management that its independent registered public accounting firm has issued an attestation report on our internal control over financial reporting, in connection with the filing of the Annual Report on Form 20-F for each fiscal year. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation to meet the detailed standards under the rules. During the course of its testing, our management may identify material weaknesses or significant deficiencies, which may not be remedied prior to the deadline imposed by the Sarbanes-Oxley Act. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting. Failure to maintain effective internal controls over financial reporting could result in investigation or sanctions by regulatory authorities, and could have a material adverse effect on our operating results, investor confidence in our reported financial information, and the market price of our ordinary shares.

If we are unable to comply with Israel's enhanced export control regulations our ability to export our products from Israel could be negatively impacted.

In recent years the Israeli government adopted laws and regulations regarding enhanced defense export controls and the export of "dual use" items (items that are typically sold in the commercial market but that may also be used in the defense market). If government approvals required under these laws and regulations are not obtained, our ability to export our products from Israel could be negatively impacted, thus causing a reduction in our revenues.

Risks Related to Our Location in Israel

Political and economic conditions in Israel may limit our ability to produce and sell our products. This could have a material adverse effect on our operations and business.

We are incorporated under the laws of the State of Israel, where we also maintain our headquarters and most of our research and development and manufacturing facilities. Political, economic and security conditions in Israel directly influence us. Since the establishment of the State of Israel in 1948, Israel and its Arab neighbors have engaged in a number of armed conflicts. A state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. Recent political unrest in the Middle East may also impact the relationship between Israel and its neighboring countries. Major hostilities between Israel and its neighbors may hinder Israel's international trade and lead to economic downturn. This, in turn, could have a material adverse effect on our operations and business.

There has been unrest and terrorist activity in Israel, which began in September 2000 and which has continued with varying levels of severity through 2010 and into 2011. The future effect of this deterioration and violence on the Israeli economy and our operations is unclear. The election of representatives of the Hamas movement to a majority of seats in the Palestinian Legislative Council in January 2006 resulted in an escalation in violence among Israel, the Palestinian Authority and other groups. In 2006, hostilities broke out between Israel and the Hezbollah in Lebanon which ended that same year, although there is continuing unrest in the region. In January 2009, Israel attacked Hamas strongholds in the Gaza strip, in reaction to rockets that were fired from Gaza and which landed in Israel. In addition, Iran has threatened to attack Israel numerous times, and is widely believed to be developing nuclear weapons. Ongoing violence between Israel and the Palestinians as well as tension between Israel and other countries in the Middle East may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, there are a number of countries, primarily in the Middle East, as well as Malaysia and Indonesia, that restrict business with Israel or Israeli companies, and we are precluded from marketing our products to these countries directly from Israel. Restrictive laws or policies directed towards Israel or Israeli businesses may have an adverse impact on our operations, our financial results or the expansion of our business.

Our results of operations may be negatively affected by the obligation of our personnel to perform military service.

Many of our employees in Israel are obligated to perform annual reserve duty in the Israeli Defense Forces and may be called for active duty under emergency circumstances at any time. If a military conflict or war arises, these individuals could be required to serve in the military for extended periods of time. Our operations could be disrupted by the absence for a significant period of one or more of our key employees or a significant number of other employees due to military service. Any disruption in our operations could adversely affect our business.

Because most of our revenues are generated in U.S. dollars or are linked to the U.S. dollar while a portion of our expenses are incurred in NIS, our results of operations would be adversely affected if inflation in Israel is not offset on a timely basis by a devaluation of the NIS against the dollar.

Most of our revenues are in dollars or are linked to the U.S. dollar, while a portion of our expenses, principally salaries and related personnel expenses, are in NIS. Therefore, our NIS related costs, as expressed in U.S. dollars, are influenced by the exchange rate between the U.S. dollar and the NIS. During 2009 and 2010, the NIS appreciated against the U.S. dollar, which resulted in a significant increase in the U.S. dollar cost of our operations in Israel**.** We are also exposed to the risk that the rate of inflation in Israel will exceed the rate of devaluation of the NIS in relation to the U.S. dollar or that the timing of this devaluation lags behind inflation in Israel. This would have the effect of increasing the dollar cost of our operations. We cannot predict any future trends in the rate of inflation in Israel or the rate of devaluation or appreciation of the NIS against the U.S. dollar. If the dollar cost of our operations in Israel increases, our dollar-measured results of operations will be adversely affected. See Item 5: Operating and Financial Review and Prospects - Impact of Inflation and Currency Fluctuations.

You may not be able to enforce civil liabilities in the United States against our officers and directors.

Most of our executive officers and the Israeli experts named in this annual report reside outside the United States, and a significant portion of our assets and the personal assets of most of our directors and executive officers are located outside the United States. Therefore, it may be difficult to effect service of process upon any of these persons within the United States. In addition, a judgment obtained in the United States against us, or against such individuals, including but not limited to judgments based on the civil liability provisions of the United States federal securities laws, may not be collectible within the United States.

It may also be difficult to bring an original action in an Israeli court to enforce judgments based upon the U.S. federal securities laws against us and most of our directors and executive officers. Subject to particular time limitations, executory judgments of a U.S. court for liquidated damages in civil matters may be enforced by an Israeli court, provided that:

- the judgment was obtained after due process before a court of competent jurisdiction, that recognizes and enforces similar judgments of Israeli courts, and according to the rules of private international law currently prevailing in Israel;
- adequate service of process was effected and the defendant had a reasonable opportunity to be heard;
- the judgment and its enforcement are not contrary to the law, public policy, security or sovereignty of the State of Israel;
- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties;
- the judgment is no longer appealable; and
- an action between the same parties in the same matter is not pending in any Israeli court at the time the lawsuit is instituted in the foreign court.

If a foreign judgment is enforced by an Israeli court, it will be payable in Israeli currency.

Additionally, it may be difficult for an investor or any other person or entity, to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws on the ground that Israel is not the most appropriate forum in which to bring such a claim. Even if an Israeli court agrees to hear a claim, it may determine that Israeli law is applicable to the claim. Certain matters of procedures will also be governed by Israeli law.

Israeli law may delay, prevent or make difficult a merger with, or an acquisition of us, which could prevent a change of control and therefore depress the price of our shares.

Provisions of Israeli law may delay, prevent or make undesirable a merger or an acquisition of all or a significant portion of our shares or assets. Israeli corporate law regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving significant shareholders and regulates other matters that may be relevant to these types of transactions. These provisions of Israeli law could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire us, even if doing so would be beneficial to our shareholders. These provisions may limit the price that investors may be willing to pay in the future for our ordinary shares. Furthermore, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders.

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

We currently have non-competition clauses in the employment agreements of substantially all of our employees. The provisions of such clauses prohibit our employees, if they cease working for us, from directly competing with us or working for our competitors. Recently, Israeli labor courts have required employers, seeking to enforce non-compete undertakings against former employees, to demonstrate that the competitive activities of the former employee will cause harm to one of a limited number of material interests of the employer recognized by the courts (for example, the confidentiality of certain commercial information or a company's intellectual property). In the event that any of our employees chooses to leave and work for one of our competitors, we may be unable to prevent our competitors from benefiting from the expertise our former employee obtained from us, if we cannot demonstrate to the court that we would be harmed.

ITEM 4: INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated in Israel in 1987 and are subject to the laws of the State of Israel. We are a public limited liability company under the Israeli Companies Law, 5759-1999 and operate under that law and associated legislation. Our corporate headquarters, executive offices and main research and development and engineering facilities, as well as facilities for some manufacturing and product assembly, facilities are located at Gilat House, 21 Yegia Kapayim Street, Kiryat Arye, Petah Tikva 49130, Israel. Our address in the United States is c/o Gilat Satellite Networks Inc. at 1750 Old Meadow Road, McLean VA. Our telephone number is (972) 3-925-2000. Our web-site address is www.gilat.com. The information on our website is not incorporated by reference into this annual report.

We are a leading global provider of Internet Protocol, or IP, based digital satellite communication and networking products and services. We design, produce and market VSATs, or very small aperture terminals, and related network equipment, such as power amplifiers and low-profile antennas. We have a large installed customer base and have shipped more than 750,000 VSAT units to customers in over 85 countries on six continents.

We shipped our first generation VSAT in 1989 and since then we have been among the technological leaders in the VSAT industry. Our continuous investment in research and development has resulted in the development of new and industry-leading VSAT products and our intellectual property portfolio includes 66 issued patents (32 U.S. and 34 foreign) as well as 7 issued patents relating to our Satcom-On-The-Move antenna solutions and 6 issued patents (3 U.S. and 3 foreign) for our high power solid state amplifiers. As of December 31, 2010, we had 1,280 employees, including approximately 320 persons engaged in research, development and engineering activities.

We have 22 offices worldwide and two call centers to support our customers. Our products are primarily sold to communication service providers and operators that use VSATs to serve enterprise, government and residential users, or to system integrators that use our technology. We also provide services directly to end-users in various market segments in the United States and certain countries in Latin America.

In July 2010, we completed the acquisition of Raysat Antenna Systems LLC, or RAS, a leading provider of Satcom-On-The-Move antenna solutions for $25 million in cash. In August 2010 we completed the acquisition of Raysat BG, a Bulgarian research and development center for $5.7 million. In November 2010, we completed the acquisition of Wavestream, a provider of high power solid state amplifiers, or SSPA, Block Upconverters, or BUCs,, with field-proven, high performance solutions designed for mobile and fixed satellite communication, or SATCOM, systems worldwide for $135 million.

In 2010, 2009 and 2008, our property and equipment purchases amounted to approximately $7.6 million, $4.5 million and $13.8 million, respectively. These amounts do not include the reclassification of inventory to property and equipment made during 2010, 2009 and 2008 in the amount of approximately $0.7 million, $0.8 million and $3.4 million, respectively.

B. Business Overview

We are a leading provider of satellite and other network communications products and services. We design and manufacture satellite and networking communications equipment, which we sell to our customers either as network components or as complete or turnkey network solutions. The equipment that we develop includes VSAT systems, network appliances, power amplifiers and low-profile antennas. Our equipment is used by government organizations, large corporations and enterprises. We also provide connectivity services, including managed network services, Internet access and telephony, to enterprise, government and residential customers in the United States, Peru and Colombia. These services are delivered over our own networks which are built using our own equipment.

We operate as three separate businesses – Gilat Worldwide, Spacenet and Wavestream. Spacenet and Wavestream are wholly owned subsidiaries. This operational structure reflects the change we implemented in mid-2010 to create a more unified organization, bringing together Gilat's expanded VSAT business and our Peru and Colombia service operations, as well as integrating RAS and Wavestream, which we acquired during the year.

Gilat Worldwide is comprised of **Gilat International** and **Gilat Peru & Colombia**.

Gilat International is a provider of VSAT-based networks and associated professional services, including turnkey and management services, to telecom operators worldwide. Since our acquisition of RAS, Gilat International is also a provider of low-profile antennas, used for Satcom-On-The-Move antenna solutions. We began managing the operations of RAS in 2010. Since then, the Israeli division of RAS was integrated into Gilat International, and the U.S division of RAS was integrated into SIGS, a subsidiary of Spacenet Inc.

Representative customers of Gilat International include Brazil Telecom, Optus in Australia, Bharti in India, ICE in Costa Rica, Nepal Telecom, ETC in Ethiopia and Telefonica in Latin America.

Gilat Peru & Colombia (formerly Spacenet Rural Communications, or SRC) provides services in Peru and Colombia through our subsidiaries there. These services are primarily telephony, Internet and data services for rural areas under projects that are subsidized by governmental entities.

According to the latest COMSYS VSAT Report, published in 2009 by a leading satellite industry research firm - Communications Systems Limited, or COMSYS (which refers to a market study from 2008), we are the second-largest manufacturer of VSATs to the enterprise market, with a 28.3% market share of shipped VSATs. We also provide industry specific solutions for cellular backhaul, business continuity and disaster recovery.

In the year ended December 31, 2010, we derived approximately 64% of our revenues from our Gilat Worldwide VSAT operations.

Spacenet Inc., or Spacenet, provides managed network communications services through satellite networks and hybrid satellite terrestrial networks. Spacenet serves enterprise, government, small office/home office, or SOHO, and residential customers primarily in the United States, but also in locations throughout North America. Spacenet provides three primary lines of service: custom commercial grade networks for large enterprise and government customers; Connexstar networks, which are standardized commercial grade services; and StarBand services, which are typically geared towards small office and residential users. According to the COMSYS report, we have a 24.5% market share of U.S. VSAT enterprise sites. In the year ended December 31, 2010, we derived approximately 37% of our revenues from Spacenet. Representative customers of Spacenet include Dollar General, Regis Corporation, Goodyear, Verizon/USPS, Scientific Games, Intralot, GTECH, Boston Market, Target, Centerpoint Energy, PG&E, Detroit Edison, Devon Energy, Cumberland Farms, Sunoco and Valero.

Spacenet Integrated Government Solutions, Inc., or SIGS, a subsidiary of Spacenet, was created in late 2009 specifically to address the growing market for government solutions and services in the United States.

We have been expanding the presence of SIGS in the government market with the launch of targeted product offerings for new government customers in the U.S. Department of Defense and other federal agencies such as the Department of Homeland Security, FEMA and others. We began to integrate the operations of the U.S. division of RAS into SIGS in 2010.

Wavestream Corporation, or Wavestream, provides high-power SSPAs mainly to system integrators that serve various defense and homeland security agencies. Wavestream is an independent designer and manufacturer of SSPAs and Block-Up Converters (BUCs) for mission-critical satellite communications worldwide.

Wavestream's patented, leading-edge Spatial Power Combining technology enables higher output power from smaller packages with greater efficiency, reliability and lower cost than other existing technologies in high frequency bands like Ka. Wavestream provides product solutions for multiple applications targeting military, commercial and broadcast satellite communications systems.

Gilat has diversified revenue streams that result from both sales of products and services. In the year ended December 31, 2010, approximately 52% of our revenues were derived from product sales and 48% from services. Our enterprise service revenues are typically derived from long-term contracts of three to six years, which provide stability and visibility into future revenues. During the same period, we derived 36% of our revenues from the United States, 36% from Latin America, 16% from Asia, 7% from Africa and 5% from Europe. As of December 31, 2010, we had a backlog of $232 million for equipment and multi-year service contracts.

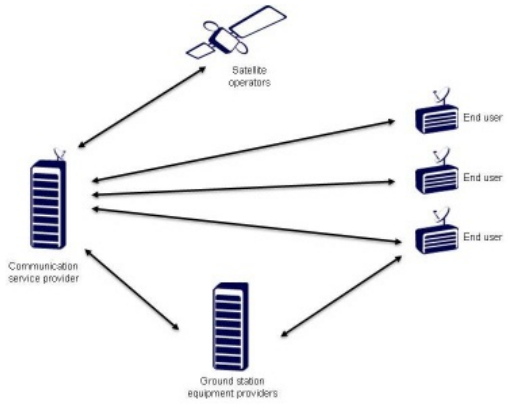
Industry Overview

There is global demand for satellite-based communications solutions for a number of reasons. Primarily, this is still the only truly ubiquitous networking solution. Secondly, satellite communications are more readily available as compared to alternative terrestrial communications networks. Lastly, satellite communications solutions offer rapidly deployed secure broadband connectivity and broadband communications on the move.

A 2-way broadband satellite communications solution is comprised of the following elements:

- Communications satellite – Typically a satellite in geostationary orbit (synchronized with the earth's orbit) with a fixed coverage of a portion of the earth (up to approximately one third).
- Satellite communications ground station equipment – These are devices that have a combination of datacom and RF elements designed to deliver data via communication satellites. Examples of ground station equipment are remote site terminals, such as VSATs, and central hub station systems. Gilat is a leading provider of VSAT ground station equipment.
- Antenna (satellite dish) – These can vary quite significantly in size, power and complexity depending on the ground equipment they are connected to, and their application. For example, antennas connected to VSATs generally are in the range of one meter in diameter while those connected to the central hub system can be in the range of ten meters in diameter. Antennas used on moving vehicles need to be compact and have an auto-pointing mechanism so that they can remain locked onto the satellite during motion. RAS is a leading provider of low-profile in-motion satellite antennas.
- Amplifiers and BUCs – These are the components that connect the ground station equipment with the antenna. The purpose of the amplifiers and BUCs is to amplify the power and convert the frequency of the transmitted RF signal. Wavestream is a leading provider of high power solid state amplifiers.

Broadband satellite networks are comprised of ground stations at multiple locations that communicate through a satellite in geostationary orbit, providing continent-wide wireless connectivity. Satellite broadband networks are used to provide a variety of traffic types such as broadband data, video and voice. The value chain of satellite network services consists of the following four main elements:



Satellite operators provide satellite transponder capacity on satellites positioned in geostationary orbit above the equator. A typical satellite can cover a geographic area the size of the continental U.S. or larger. The satellite receives information from the ground station equipment, amplifies it and transmits it back to earth on a different frequency. Satellite operators sell the capacity in a variety of leasing agreements to their customers. The current generation of high-power satellites uses Ku-band frequencies. Other frequencies are C-band and the more recently introduced Ka-band which usually operates on a multi-beam configuration. Our technology is compatible with C-band, Ku-band and Ka-band satellites including special extended C-band and extended Ku-band satellites. Some of the leading satellite operators are Intelsat, SES and Eutelsat.

Ground station equipment providers manufacture network equipment for both VSAT networks and broadcast markets. VSAT systems combine a large central earth station, called a hub, with multiple remote sites (ranging from tens to thousands of sites), which communicate via satellite. Equipment components for the broadcast markets include, among others, video encoders, large earth antennas, and storage equipment. Gilat is a leading ground station equipment provider for VSAT systems.

Communication service providers buy equipment from ground station equipment providers, install and maintain such equipment, lease capacity from satellite operators and sell a full package of communication services to the end user. Spacenet and Gilat Peru & Colombia are leading communication service providers in the United States, Peru and Colombia, respectively.

End users are customers that use equipment and satellite communication services. Examples of end users range from enterprises, to government ministries and agencies, to residential consumers.

System integrators are companies that provide customized solutions to end users by integrating the necessary equipment and services. For example, defense organizations typically work with specialized system integrators that integrate various components, such as power amplifiers and low profile antennas, into a satellite terminal.

The most common satellite broadband network uses VSAT systems that are deployed in a hub-and-spoke configuration, with remote locations connecting via satellite to a central hub station. VSAT networks have a diverse range of uses and applications, and provide communication services as a stand-alone, alternative, or complementary service to wireline and wireless networks.

We believe that the advantages of VSAT networks include:

- *Universal availability* - VSATs provide service to any location within a satellite footprint.
- *Timely implementation* - Large networks can be deployed within a few weeks.
- *Broadcast and multicast capabilities* - Satellite is an ideal solution for broadcast and multicast transmission as the satellite signal is simultaneously received by any group of users in the satellite footprint.
- *Reliability and service availability* - VSAT network availability is high due to the satellite and ground equipment reliability, the small number of components in the network and terrestrial infrastructure independence.
- *Scalability* - VSAT networks scale easily from a single site to thousands of locations.
- *Cost-effectiveness* - The cost of VSAT networks is independent of distance and therefore it is a cost-effective solution for networks comprised of multiple sites in remote locations.
- *Applications delivery* – VSAT networks offer a wide variety of customer applications such as e-mail, virtual private networks, or VPN, video, voice, Internet access, distance learning, content distribution and financial transactions.
- *Portability and Mobility* - VSAT solutions can be mounted on vehicles for communications on the move, or deployed rapidly for communications in fixed locations and then relocated or moved as required.

Given the technological and implementation benefits afforded by VSAT networks, we believe that the market for VSAT products and services will continue to grow. In particular, according to a 2010 report from NSR, a leading international telecom market research and consulting firm, the number of broadband satellite sites and subscribers is expected to grow at a compounded annual growth rate, or CAGR, of 15.8% through 2019. With the NSR report measuring both consumer and enterprise sites, we believe there will be growth in the enterprise market which is the primary market to which Gilat sells.

In addition, the availability of auto-pointing satellite antennas designed for in-motion two way communications has created market demand particularly from the defense and first responders, such as emergency services, segments. These antennas are usually mounted on the roof of a vehicle and connected to a satellite terminal within the vehicle. An important requirement that defense organizations have in this mission-critical application is for low-profile antennas, to avoid drawing unnecessary attention to the vehicle. We believe that the demand for light-weight, low-profile antenna systems will increase as well.

There are five primary categories of markets that require broadband satellite products and services:

Enterprise and Business. These end-users include large companies and organizations, small- medium enterprises, or SMEs, and SOHO end users. For enterprises, VSAT networks offer network connectivity and deliver voice, data and video within corporations (known as corporate intranets), Internet access, transaction-based connectivity to enable on-line data delivery such as point-of-sale (credit and debit card authorization), inventory control and real time stock exchange trading.

High-End. The high-end market consists of customers that have more demanding network performance requirements. These requirements usually include higher level of Quality of Service, or QoS, than the typical user, higher speed connectivity, segregation of their traffic from other users' traffic and more control over the network. Some examples of customers belonging to the high-end market are industrial energy organizations such as oil & gas and mining companies, Digital Satellite News gathering, or DSNG, armed forces, maritime companies and mobile operators.

Rural Telecommunications. The rural telecommunications market is comprised of communities throughout the world that require telephone, facsimile and Internet access in areas that are underserved by existing telecommunications services. These communication services are usually provided to the rural population via government-subsidized initiatives. This market sector is comprised of "Build-Operate" projects, in which governments subsidize the establishment and the operation of a rural network to be served by a satellite, wireless or cellular service provider that is usually selected in a bid process. According to the 2006 GSM Association Universal Access Report, 57 out of the 92 emerging market and developing countries sampled for their study have plans to establish universal service funds, or USFs, within their jurisdictions to meet local telephony and Internet service requirements. According to this report, the USFs jointly collected approximately $6.0 billion worldwide through 2006, out of which $1.62 billion has been redistributed to the telecommunications industry. To our knowledge, no updates have been released since the publication of this report, and, although this report is relatively dated, we believe it continues to be indicative of the market potential. In other instances, local communications operators have universal service obligations, or USOs, which require them to serve rural areas lacking terrestrial infrastructure. Some local communications operators elect to fulfill this obligation by hiring third parties in a model known as "Build-Operate-Transfer." In these instances, the network is established and made operational by a third party service provider, which operates it for a certain period of time and then it is transferred to the operator.

Consumer. The consumer market consists of residential users. These users require a high-speed internet connection similar to a digital subscriber line, or DSL, or cable modem service. According to the NSR report from 2010, North America will continue to lead the world in terms of subscribers and revenues from satellite broadband access services, and Western Europe will make a strong breakout for second place in the coming years.

Government. The government sector consists of homeland security and military users. The versatility, reliability, and resiliency of VSAT networks, the in-motion low profile antennas and the lightweight SSPAs are a perfect fit for security and armed forces. Spatial-combining technology implemented on the Wavestream SSPAs introduces significant efficiency, size and weight advantages. For example, VSAT systems with low power lightweight amplifiers can be quickly deployed in disaster areas, as a replacement for destroyed wireless or wire line networks, providing communication services to emergency personnel and law enforcement units. In military applications, VSAT networks can be used as a reliable overlay to manage the entire battlefield communications, serve as communication backup infrastructure, and be used for primary tactical communications offering communications from a moving vehicle. In these cases the low-profile antennas provide additional benefit to the end-user.

Our Competitive Strengths

We are a leading provider of satellite communication and networking products and services. Our competitive strengths include:

Market leadership in large and growing markets. Since our inception, we have sold more than 750,000 VSATs, 1,000 low profile antennas and 7,000 SSPAs to customers in over 85 countries. Our customer base includes a large number of satellite-based communications service providers, system integrators and operators worldwide. In addition, we provide satellite-based communication services primarily to enterprises in the United States and we are one of the largest satellite communications service providers to rural communities in Latin America.

The large installed base of our VSAT equipment also provides opportunities for new and incremental sales to existing customers. According to the last COMSYS report published in 2009, our global market share to the enterprise and government market was approximately 28.5%, based on the number of terminals shipped, making us the second largest VSAT manufacturer in the world for this segment.

Our installed base for low profile Satcom-On-The-Move antennas provides us opportunities for new and incremental sales to existing customers. Specifically, we are focused on the US DoD market and China.

We have a large installed base of SSPAs in the US Department of Defense, based on power amplifiers sold to the system integrators, who then provided a complete satellite terminal based on our equipment. Our SSPAs are widespread in the US Department of Defense, for both Ka Band and Ku Band terminals.

Technology leadership. We have been at the forefront of VSAT technology and services for over 23 years and continue to be an innovator and developer of new satellite technologies. Our highly customizable VSAT technology enables us to provide our customers with a wide range of broadband, Internet, voice, data and video solutions. Our product and operations infrastructure is capable of running hubs with greater than 99.8% availability while rolling out thousands of new VSAT site locations each month. Our SkyEdge II, state-of-the-art solution, provides high performance and excellent space segment efficiency. Our legacy product lines are known for their durability and resilience. Our low-profile, Satcom-On-The-Move, antennas provide reliable broadband communications for defense and security applications. Our state-of-the-art SSPAs provide excellent performance, even at the extreme end of temperature and environmental performance specifications. Our research, development and engineering team is comprised of approximately 320 persons, enabling us to rapidly develop new features and applications. Moreover, by directly serving end-users through our service organizations, we are able to quickly respond to changing market conditions to ensure we maintain our leadership position.

Global presence and local support worldwide. We have sold our products in over 85 countries on six continents. Our products and services are used by a large and diverse group of customers including some of the largest enterprises in the world, several government agencies and many rural communities. We have 19 sales and service offices worldwide. Through our network of offices we are able to maintain a two-tier customer support program offering local support offices and a centralized supply facility.

Complementary business lines for turnkey solutions. With Gilat Worldwide, Spacenet and Wavestream, we are able to provide a full turnkey solution to our customers by integrating a diverse range of value-added products and services. Our product and service offerings -- VSAT network equipment, power amplifiers, low-profile Satcom-On-The-Move, antennas, installation, operation and maintenance -- provide communication services ranging from broadband, Internet, voice, data and video to managed solutions that can be customized and are highly flexible. Our business model enables us to be closely attuned to all of our customers' needs and to rapidly adapt to changing market trends. Our VSAT-based networks often serve as a platform for the delivery of a complete system, providing versatile solutions for corporate enterprises, government agencies, SMEs, rural communities, SOHOs and consumers.

Diversified revenue streams and customer base. For the year ended December 31, 2010, approximately 52% of our revenues were generated from products and 48% of our revenues were generated from services. Our product sales are generally independent equipment orders which often generate maintenance contracts and additional opportunities for future product sales. Our service sales are characterized by long-term contracts that provide a recurring revenue base. In the year ended December 31, 2010, our three businesses - Gilat Worldwide (Gilat International and Gilat Peru & Colombia), Spacenet and Wavestream accounted for 64%, 34%, and 2% of our revenues, respectively. We are not overly dependent on any single customer, project, or geographic region.

Strong financial position. As of December 31, 2010, our cash balance was $64.5 million (including cash and cash equivalents, short and long term restricted cash, restricted cash held by trustees and short bank credits), and our debt was $61.8 million.

Delivery Capabilities. Over the years we have demonstrated our ability to deploy communication networks in the most remote, transportation challenged, and technology adverse areas. This experience enhances both our ability to plan and implement sophisticated communication networks in remote areas, as well as in challenging terrain, and our ability to meet technological challenges like a lack of electrical power infrastructure or a lack of any physical infrastructure. Our teams are proficient in delivering solutions in these instances, with a high success rate.

Experienced management team. Our Chairman and CEO, Amiram Levinberg, is a co-founder of our company and leads a highly experienced executive team of satellite industry veterans. Our Board of Directors is comprised of senior professionals with a broad range of business and financial experience.

Our Growth Strategy

Our objective is to leverage our advanced technology and capabilities to:

Expand our presence in the military Satcom market. Building on our technology leadership and growing presence with armed forces around the world, we are increasing our focus on this growing market segment both in the United States and globally. In the United States we established Spacenet Integrated Government Solutions, also known as SIGS, a subsidiary of Spacenet, which is focusing on expanding our reach to new customers including the Department of Defense, Homeland Security, the Intelligence community and government related agencies. We have recently acquired Raysat Antennas Systems and Wavestream, whose customers are mostly in the defense and security markets. We have also increased our research and development effort to develop the specific capabilities and solutions required by armed forces and homeland security agencies globally. We are investing in this market segment as we believe its global growth will contribute to our business.

Continue to expand our system integration offerings. We are a leader in deploying VSAT solutions in remote or otherwise challenging areas. Building on this strength we have expanded our business beyond core VSAT networks to deliver complete and comprehensive solutions to our customers even in instances where the VSAT technology is not the main part of the solution. We see a growth in demand for vendors capable of fully delivering integrated solutions for interdisciplinary, communication based projects. In these cases we handle the project management, solution design, equipment procurement, deployment logistics, installation and integration, operational services, maintenance and support.

Strengthen and expand our technology leadership. We are strengthening our technology leadership by our continuing investment in research and development and have increased our research and development budget for 2011, with a view of expanding our product portfolio with new product offerings and new capabilities. Our flagship product, SkyEdge II, has cutting edge space segment utilization and performance. Our new offerings, the NetEdge and Prysm Pro, enable our customers new opportunities in deploying communication networks suited to their needs. We plan to strengthen and expand our support for Ka band and multi-spot beam satellites so that our VSATs will be better able to utilize new Ka band capacity as more becomes available. In addition, we are focusing on developments for enhanced performance and capabilities of our SSPAs, and are planning to expand our Satcom-On-The-Move antenna offerings in terms of size and electronic steering capabilities.

Focus on emerging markets. We have expanded our focus on rural and emerging markets. Traditionally, it has been considered too costly for service providers to provide full-terrestrial networks to these regions. As a result, many governments either require telecommunications operators to provide communications access through USOs to these communities or provide funding via USFs to subsidize the provision of these services. The figure for available worldwide USF funding was estimated in 2006 to be $4 billion in approximately 15 countries and we believe that today's figure is similar. As this communications rollout is adopted, VSAT-based communication networks provide a high quality, cost-effective alternative to terrestrial, wireless and cellular systems. We focus our sales efforts on offering solutions to service providers that are either being required by USOs to facilitate the rural expansion, or on offering solutions to service providers that are utilizing the subsidies created through USFs.

Proactively evaluate acquisitions that will support and enable our growth strategy. As we continue to focus on expanding the target markets for our products, services and solutions, we may have opportunities to acquire companies or technologies that would be complementary or additive to our existing platform and global distribution channels. We will proactively, but selectively, evaluate opportunities to expand our business.

Our Businesses

Gilat Worldwide (Gilat International and Gilat Peru & Colombia)

Overview

Gilat International

Gilat International is a leading global provider of VSAT-based networks and associated professional services to telecom operators worldwide. Our operational experience in deploying large VSAT networks together with our global network of local offices enable us to work closely and directly with those providers. We provide VSAT communication equipment and solutions to the commercial, government and consumer markets.

Our SkyEdge product family, including the SkyEdge and SkyEdge II products, allows us to deliver efficient, reliable and affordable broadband connectivity such as Internet, voice, data and video.

We provide solutions tailored to the requirements of individual industries. Based on our open SkyEdge platform, our solutions provide added value to operators through better performance and integration as well as simpler deployment. One such solution is SkyAbis, which provides cost-effective cellular backhaul for rural communications.

We also support satellite networking through professional services, training and a full range of turnkey solutions and outsourced network operations including "Build-Operate-Transfer" for networking facilities.

Gilat International is headquartered in Petah Tikva, Israel with 448 employees, and has 14 offices worldwide. In the year ended December 31, 2010, Gilat International had revenues of $ 130.8 million, including sales of $ 17.1 million to Spacenet and Gilat Peru & Colombia.

During 2010, we completed the acquisition of RAS, and its Israel-based business was integrated within Gilat International and its US-based business was integrated within SIGS. RAS was created in 2006 with the purpose of providing efficient, high standard, cost effective solutions for the Satcom-On-The-Move market. Since then, RAS has specialized in the development, marketing, sales and support of in-motion, low-profile, 2-way satellite antenna systems.

Products and Solutions

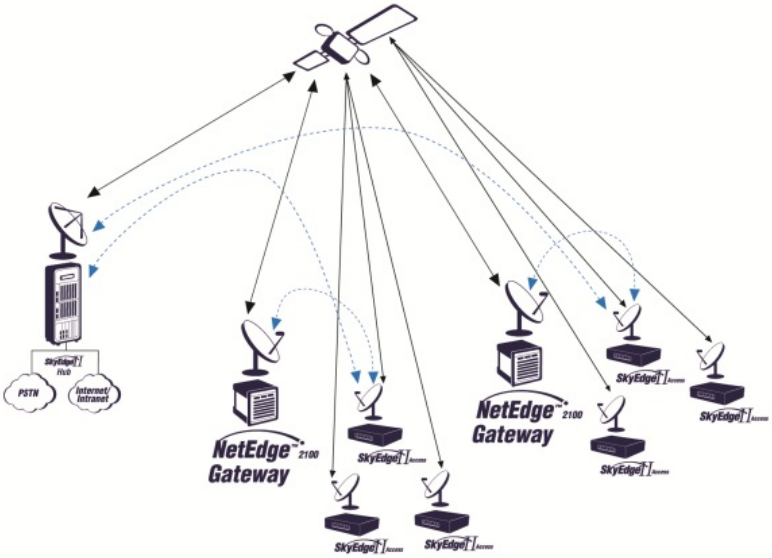
SkyEdge Family of Products

Our SkyEdge product family is based on a single hub with multiple VSATs to support a variety of services and applications. The products were designed using advanced technology to enable them to process different types of user traffic such as voice, critical data, Internet traffic and video, to handle each type of traffic in an efficient manner and provide the necessary quality of service for each traffic stream. The SkyEdge also includes advanced mechanisms which ensure that the transmissions via the satellite utilize the available satellite bandwidth efficiently and enhance the user experience.

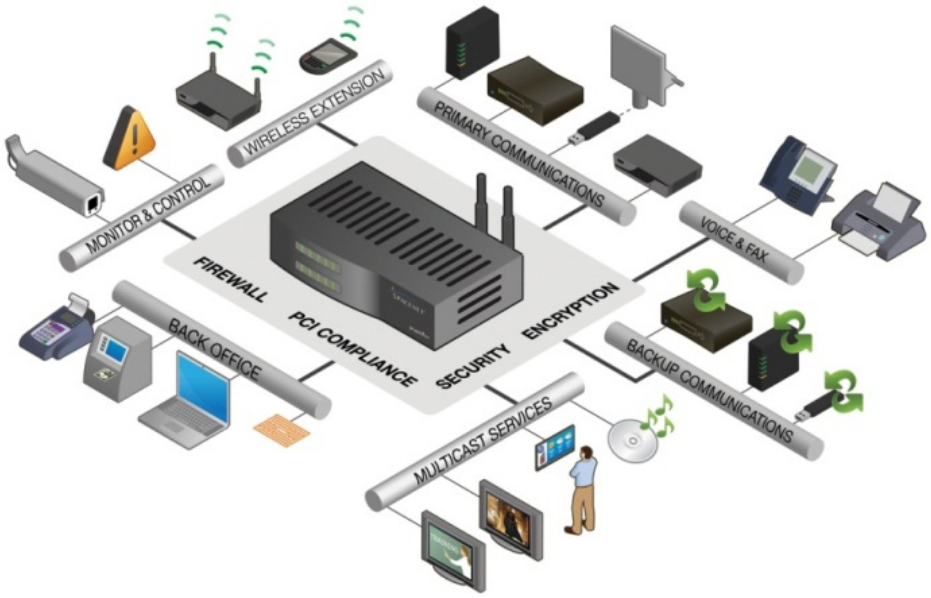
Below is a table that shows the main VSAT products Gilat International offers. All of these products are connected to an outdoor RF unit which is mounted on a dish antenna:

	SkyEdge II IP		SkyEdge II WebEnhance	SkyEdge II Access		SkyEdge II Pro
						
Ethernet	1 IP	2 IP	2 IP	4 IP	4 IP	4 IP
Modular Slots	-	-	-	2	-	4
Throughput	7.5 Mbps		30 Mbps	30 Mbps	30 Mbps	30 Mbps
Segments	SME/SOHO		Enterprise/ Consumer	Corporate Government Maritime Rural Telephony & IP	Cellular	Maritime Military Rural Telephony & IP SOTM

NetEdge is a high-performance satellite communications solution, specifically designed to meet the requirements of multi-star (a network topology which consists of remote sites connected to a regional gateway and also to the main hub, also called star-within-star networks) private networks for corporations as well as for cellular backhaul applications. The NetEdge solution is composed of remote sites using SkyEdge II Access/Pro VSATs, NetEdge Gateways, and a SkyEdge II hub. Single-hop connectivity is provided network-wide between the NetEdge components. This enhances the user experience and application performance for all intra-corporation, cellular backhaul and Internet traffic. NetEdge is competitively priced and offers bandwidth savings that can reach 30% and more compared to Single Channel per Carrier, or SCPC, solutions. NetEdge offers network efficiency and reduces the total cost of ownership. NetEdge is installed as an expansion of a SkyEdge II hub and as a result, adding additional NetEdge Gateways to an existing hub is simple.



Another addition to our product offering is the *Prysm Pro Network Appliance*. Prysm Pro supports advanced applications over satellite, wire-line and wireless networks, helps multi-site enterprises support multiple secure networks with centralized management and enables hybrid switching between wire-line and wireless technologies. It is a modular, scalable, off-the-shelf IP network appliance that offers benefits to customers. The Prysm Pro appliance is integrated with Spacenet's managed network services, providing access to a user-friendly web portal to enable simplified and centralized network management.



Prysm Pro Network Appliance Sample Applications

Raysat Antenna Systems family of Products

The RAS low-profile, in-motion, broadband 2-way antennas are specifically designed for the needs of the Satcom-On-The-Move market and provide advanced solutions for a variety of mobile applications:

- Military - Strategic military advantage by supporting the transfer of real-time intelligence while on-the-move with a small, low profile, hard to track antenna;
- Digital satellite news gathering – always on, no set up time, real-time streaming video;
- First responders – supports vehicles' mobility, agility and stability required for teams to be the first to reach the scene; and
- Search and exploration teams, close-to-shore vessels etc.

The following table describes the RAS low-profile antennas:

	StealthRay 2000	**StealtRay 3000/20**	**StealthRay 5000**
			
Description	Ku band 2-way low-profile in-motion antenna with external BUC	Ku band 2-way low-profile in-motion satellite antenna with integrated BUC & amplifier	Ku band 2-way low-profile in-motion satellite antenna with enhanced Tx gain, external BUC
Height (cm)	15	18	21
Dimension (cm)	115 L x 90 W	115 L x 90 W	115 L x 90 W
Weight (kg)	28	35	35

Gilat International Pre-Packaged Solutions

Our VSAT-based networks serve as a platform for the delivery of custom tailored solutions for identified markets. We pre-package, commercialize and sell these end-to-end solutions, which offer higher value to our customers. For example, our SkyAbis supports a cellular backhaul application for Global System for Mobile Communications, or GSM, and Code Division Multiple Access, or CDMA, cellular-based stations.

Our end-to-end solutions include government communication infrastructure solutions for post offices, elections, military and security and rapid VSAT deployment. We also provide turnkey solutions that include installation, operation and third-party peripheral equipment.

Solution	SkyAbis	Emergency Response / Rapid Deployment	Cisco VSAT NM	Satcom-On-The-Move
Description	Cellular traffic backhaul enabling operators to expand their market reach	Transportable and man-pack units, communication solution	Satellite based networking for Cisco router with Cisco VSAT NM	Satellite communications on the move for the ground and maritime markets
Typical Applications	Cellular backhaul for GSM, CDMA and UMTS networks; extension of cellular services to rural sites; back up	On-demand access to voice, data and video	Business continuity, Disaster recovery, Content distribution	Content distribution, fast internet Access
Type of customers/verticals	GSM and CDMA cellular operators, service providers	Mobile medical units, Mobile ATM, Military and security forces, Fire and police units	Enterprise, Financial sector, Governments	Trains, vessels, first responders, military
Selected customers	Nepal Telecom, Enitel (Nicaragua), TFL Fiji, Kazakhtelecom	Netpresa (Mexico), CACI (U.S), LAPD (U.S), Red Cross	Cisco sales channel customers, Valero (U.S), HCL India	Astel (Kazakhstan National Railway), CNOOC, Petrobras

System Integration and Turnkey Implementation

We have expanded our business beyond core VSAT networks to deliver our customers complete and comprehensive solutions to their needs even where VSAT is not the main part of that solution. We see a growth in market demand for vendors capable of fully delivering integrated solutions for interdisciplinary, communication based projects.

In other situations we are required to provide our VSAT solution in a turnkey mode whereby we are responsible for the complete end-to-end solution.

In the case of turnkey solutions, and occasionally in projects requiring system integrations, we provide our customers with a full and comprehensive solution including:

- Project management – accompanying the customer through all stages of a project and ensuring that the project objectives are within the predefined scope, time and budget;
- Network design – translating the customer's requirements into a system to be deployed, performing the sizing and dimensioning of the system and evaluating the available solutions;
- Deployment logistics – transportation and rapid installation of equipment in all of the network sites;

- Implementation and integration – combining our equipment with third party equipment such as solar panel systems and surveillance systems as well as developing tools to allow the customer to monitor and control the system;

- Operational services – providing professional services, program management, network operations and field services; and

- Maintenance and support – providing 24/7 helpdesk services, on-site technician support and equipment repairs and updates.

Manufacturing, Customer Support and Warranty

Our VSAT products are designed and tested primarily at our facilities in Israel. We outsource a significant portion of the VSAT manufacturing of our products to third parties. Raysat antenna products are designed at our facilities in Bulgaria where we also manufacture components, with assembly at our facilities in Israel. We also work with third-party vendors for the development and manufacture of components integrated into our products, as well as for assembly of components for our products.

We offer a customer care program for our VSAT products, which we refer to as SatCare, and professional services programs that improve customer network availability through ongoing support and maintenance cycles. As part of our professional services, we provide:

- Outsourced operations such as VSAT installation, service commissioning and hub operations:

- Proactive troubleshooting, such as periodic network analysis, to identify symptoms in advance; and

- Training and certification to ensure customers and local installers are proficient in VSAT operation.

We typically provide a one-year warranty to our customers as part of our standard contract.

Gilat International Sales and Marketing

We use both direct and indirect sales channels to market our products, solutions and services. Most of our revenues are derived from direct sales. Our equipment sales division has organized its marketing activities by geographic areas, with groups or subsidiaries covering most regions of the world. Our sales teams are comprised of account managers and sales engineers who establish account relationships and determine technical and business requirements for the customer's network. These teams also support the other distribution channels with advanced technical capabilities and application experience. Sales cycles in the VSAT network market vary significantly, with some sales requiring 18 months and even more, from an initial lead through signing of the contract and others stemming from an immediate need for product delivery within two to three months. The sales process includes gaining an understanding of customer needs, several network design iterations and network demonstrations.

Gilat Peru & Colombia

Through our operations in Peru and Colombia, we are service providers for public telephony and Internet services to rural areas there. In these countries, we have built the infrastructure and act as an operator (Build-and-Operate model) in subsidized government projects. Our services include operating public phones and telecenters and distributing pre-paid cards for telephone usage at remote villages. In addition, Gilat Peru & Colombia use their infrastructure to provide services to enterprise, SME, SOHO and residential customers. They also provide outsourcing of VSAT network implementation and operation to other operators in the region.

Gilat Peru & Colombia has local offices in Peru and Colombia and employs 226 persons. In the year ended December 31, 2010, revenues from Gilat Peru & Colombia were $ 35.9 million.

Services and Solutions

We began to operate in Peru in 1998, with the award of our first rural telephony project called "Frontera Norte" for FITEL, with approximately 200 sites. Since then, we have participated in most rural communications projects launched by the Peruvian government and have won, either wholly or partially, seven projects. Overall, we operate almost 8,700 telephony sites in Peru, of which approximately 1,000 have Internet connectivity, and have been awarded over $45 million in government subsidies to build and operate these networks. We have recently won our eighth project for additional 770 sites with subsidies of approximately $14.5 million. In addition, we have developed services for financial sector customers, such as Banco de la Nacion, utilizing our current infrastructure and providing those customers with Internet, data and telephony services. Our rural network manages millions of incoming and outgoing minutes every month, serving more than six million people in rural areas. On average, deployment of the network in Peru has reduced the distance between rural phone locations from 50km to 5km.

Gilat Colombia started operations in 1999 by winning the government's Compartel I project focused on rural telephony. Since then we were awarded two additional projects with over $100 million in government subsidies in the aggregate – Rural Communitarian Telephony (TRC I and TRC II) and Telecentros. Currently, Gilat Colombia operates a network of approximately 2,000 rural sites spread throughout the country, serving over a million persons. The services for those rural sites include telephony, Internet, data, fax and other services. In 2008, the Ministry of Communications in Colombia renegotiated with the Company new agreements through December 2009. Following our successful fulfillment of the new agreements with the Colombian Government, the Ministry of Communications in Colombia extended and amended the agreements for the provision of services under these agreements for an additional one-year term, through December 2010. The agreements were again amended and extended for an additional one-year term through December 2011.

Customer Support Operations

Gilat Peru & Colombia complement their services with back office support for subsidized telephony and Internet networks as well as for private Internet, data and telephony clients including a call center, network operations center, field service maintenance and a pre-paid calling card platform and distribution channels.

Gilat Worldwide Customers and Markets

Gilat International. We sell VSAT communications networks and solutions primarily to service providers that mostly serve the enterprise market. We have more than 200 such customers worldwide.

Enterprise and service provider customers use our networks for Internet access, broadband data, voice and video connectivity and for applications such as credit card authorizations, online banking, corporate intranet, interactive distance learning, lottery transactions, retail point-of-sale, inventory control and Supervisory Control and Data Acquisition, or SCADA, services.

Service providers serving the rural communications market are typically public telephony and Internet operators providing telephony and Internet services through public call offices, telecenters, Internet cafes or pay phones. Some of the rural communication projects are for government customers. Examples of our rural telecom customers include Telefonica in Peru, ETC in Ethiopia, and ICE in Costa Rica.

Our VSAT networks also provide underserved areas with a high-speed Internet connection similar to DSL service provided to residential users. An example of such a customer is Optus in Australia.

Gilat Peru & Colombia

Public Rural Telecom Services:

In a large number of remote and rural areas, primarily in developing countries, there is limited or no telephone or Internet service, due to inadequate terrestrial telecommunications infrastructure. In these areas, VSAT networks utilize existing satellites to rapidly provide high-quality, cost-effective telecommunications solutions. In contrast to terrestrial networks, VSAT networks are simple to reconfigure or expand, relatively immune to difficulties of topography and can be situated almost anywhere. Additionally, VSATs can be installed and connected to a network quickly without the need to rely on local infrastructure. For example, some of our VSATs are powered by solar energy where there is no existing power infrastructure. Our VSATs provide reliable service, seldom require maintenance and, when necessary, repair is relatively simple.

As a result of the above advantages, there is a demand for government-sponsored, VSAT-based bundled services of fixed telephony and Internet access. Many of these government-funded projects have been expanded to provide not only telephony services and Internet access, but to also provide telecenters that can serve the local population. These telecenters typically include PCs, printers, fax machines, photocopiers, VCRs and TVs for educational programs. Additional revenue may be received, both in the form of subsidies and direct revenues from the users, when these additional services are provided. Our rural telecom government customers are the Ministry of Information Technologies and Communication/Fonade in Colombia and FITEL in Peru.

VSAT Services to Telecom Operators:

In some markets, existing telecom operators are mandated by the government to provide universal services. Providing these services in remote areas is a challenge to these operators, and they sometimes outsource these services to rural telecom service providers. The exact nature of these outsourcing projects varies, but they are typically a "Build-Transfer" model or a "Build-Operate-Transfer" model. Cable & Wireless in Panama is Gilat's first "Build-Operate-Transfer" customer.

Enterprise and Government Agencies:

We also provide private network services to selected enterprises and government agencies. These customers contract directly with Gilat Peru & Colombia for VSAT equipment and associated network services to be deployed at customer locations, typically for a contract term of three to five years. We also resell managed terrestrial connectivity equipment and services from facilities-based Local Exchange Carrier partners. One such customer is Banco de la Nacion in Peru.

Sales and Marketing

In Peru and Colombia, we use direct and indirect sales channels to market our services. Our sales team of account managers and sales engineers are the primary account interfaces and work to establish account relationships and determine technical and business demands.

Spacenet Inc.

Overview

Spacenet provides managed network communications solutions that leverage satellite, wireline and wireless technologies. Spacenet serves enterprise, government, industrial, SOHO, and residential customers primarily in the United States, but also in locations throughout North America. Spacenet provides three primary lines of service: (i) custom commercial grade networks for large enterprise, industrial and government customers, (ii) Connexstar networks, which are standardized commercial grade satellite services, and StarBand satellite Internet services, which are typically geared toward small office and residential users. Additionally, in 2009 we established SIGS to address the growing market for government solutions and services in the United States. In 2010, SIGS began managing the operations of the U.S. division of RAS following its acquisition..

Spacenet's equipment and services are currently deployed at more than 110,000 business, government, industrial and residential locations in the United States. Our customers include Regis Corporation, Dollar General, Goodyear, Intercontinental Hotels Group, USPS/Verizon, Scientific Games, Intralot, GTECH, Boston Market, Centerpoint Energy, PG&E, Cumberland Farms, Sunoco and Valero. The latest COMSYS report, published in 2009, ranked Spacenet as the second largest satellite network service provider in North America for the enterprise/government market, with a 24.5% market share at the time of the report. Our market includes WAN services for retail, energy, oil and gas, financial services, hospitality and government customers, as well as Internet access services for SOHO and residential customers. Through its StarBand broadband-over-satellite service, Spacenet is offering broadband service to rural unserved markets in Alaska and Hawaii following a federal grant from the Rural Utility Service under the American Recovery and Reinvestment Act.

We have increased our ability to serve the managed network services market in the United States. Traditionally focused mainly on the enterprise VSAT market, since 2006, Spacenet has expanded its offerings to include emergency communication services over VSAT to the state, local and industrial markets, as well as combined satellite and terrestrial managed service products to the enterprise market.

Spacenet is based in McLean, Virginia, and has 223 employees. In the year ended December 31, 2010, Spacenet had revenues of $ 79.4 million.

Services

Spacenet offers custom and standardized, pre-packaged network services that are sold under the Spacenet, Connexstar and StarBand brand names. These service lines target a variety of markets and applications, as is illustrated in the diagram below:

Service	StarBand	Connexstar Transaction	Connexstar Broadband	Connexstar Performance	Spacenet Custom Networks	Emergency Communications Service
Description	VSAT Internet access services	Low-bandwidth VSAT network	Commercial grade broadband VSAT networks	High-bandwidth VSAT network	VSAT and hybrid terrestrial WANs	Part time service for emergency communications
Typical Applications	Web, E-mail	Credit cards, point-of-sale, SCADA	Intranet, credit cards, back-office applications	VoIP, Video monitoring, backup networks	Web based business applications, corporate E-mail, VoIP, video, multicast-based file delivery applications	Voice, video and broadband for emergency communications or business continuity
Type of customers/verticals	SOHOs	Utilities pipeline networks, lottery operators	Retail hospitality, small business	Disaster recovery, business continuity, government, energy exploration	Large enterprise customers	First response agencies or large enterprises with a need for reliable, highly available network connectivity
Selected customers	Residential users	PG&E, Detroit Edison	Orbital Data Networks, LandTel	State and local government, CenterPoint Energy	USPS/Verizon, Dollar General, Goodyear, Scientific Games, Intralot, Boston Market, Cumberland Farms, Sunoco, Valero, Intercontinental Hotels Group	Los Angeles Police Department and other State and Local Government agencies

Spacenet's custom network services for large enterprise, industrial and government customers include the design, development, and management of satellite, wireline and wireless broadband network solutions. Spacenet can provide secure private networks specifically sized and tuned to a customer's application, protocol support, QoS and bandwidth needs. These networks may be delivered as a "private hub" (each set of hub baseband equipment is used for only one customer) or "virtual private hub" (hub equipment is shared among multiple customers but is logically partitioned to provide private hub benefits at a lower cost). Custom network configurations also include hybrid terrestrial and satellite or wireless networks in which Spacenet provides management of both network components, integrating them as a single WAN.

Spacenet's standard Connexstar satellite services are optimized for popular customer applications, and are engineered to provide superior performance compared to other providers' "one size fits all" solutions. Connexstar services are offered in full-time plans for primary network use or as on-demand services for emergency response and business continuity use.

These services are also available in fixed site or transportable configurations for on-the-go communications. Many of Spacenet's custom network and standard Connexstar services offer service level agreements, or SLAs, for network reliability, network management and reporting tools, professional program management and implementation assistance, and professional-grade installation and maintenance options.

Spacenet Integrated Government Solutions

SIGS was established in 2009 to address the growing market for government solutions and services. We have been expanding SIGS' presence in the U.S. government market with the launch of targeted product offerings for new government customers in the U.S. Department of Defense and other federal agencies such as the Department of Homeland Security, FEMA and others In 2010, the U.S. division of RAS was integrated into SIGS.

SIGS' initial government offerings are based on its ability to support critical first response satellite solutions. SIGS can point to Gilat's and Spacenet's proven track record with customized solutions for some of the most demanding communications requirements. We effectively leverage our network customization capabilities to meet a variety of government network requirements helping it expand beyond the first responder market to other critical government networks. We believe that the establishment of SIGS will enable us to provide satellite solutions to additional government agencies that were not previously addressed by Spacenet, including the Department of Defense, and to develop long term strategies that assure customer needs are being met.

Network Operations and Customer Support

We operate teleport facilities with network operation centers, or NOCs, in Chicago, Illinois, and Marietta, Georgia. Our operations staff of more than 100 persons supervises network implementation and installation quality assurance, manages shared-hub and private-hub networks, provides first-level and escalated help desk/problem resolution, manages inventory and shipping, and dispatches field service/maintenance technicians. The Chicago NOC facility specializes in operation of high-availability networks for our largest enterprise and government customers. The Marietta NOC facility operates our managed network, Connexstar and StarBand services as well as first and second-level call centers. The McLean headquarters facility provides pilot and disaster recovery hub operations, fourth-tier network escalation and advanced network management and engineering services.

For many enterprise, industrial and government networks, we offer service level agreements providing guarantees on network uptime and availability as well as guaranteed network performance and issue resolution time. Spacenet's network management and operations features include diverse and scalable hub and satellite options, centralized network management center, extensive web-based tools for customers, dedicated program management and service automation.

Spacenet Sales and Marketing

We sell our enterprise, industrial and government services directly through a team of account executives as well as through a network of approximately 30 authorized enterprise, industrial and/or government service resellers, primarily telecom carriers, IT integrators and value-added resellers focused on specific industries.

Our StarBand SOHO services are sold both directly and through approximately 200 sales agents, that are typically direct-to-home satellite TV resellers and/or satellite Internet service resellers. Our distribution channel strategy is shown below:

Wavestream

Overview

Wavestream, founded in 2001, designs and manufactures next generation solid-state power amplifiers for mission-critical defense and broadcast satellite communications systems. Wavestream's innovative, patented Spatial Power Advantage™ technology provides higher output power, greater reliability and lower energy usage in more compact packages than traditional amplifier solutions. Wavestream's proven family of products meet the growing demand for greater efficiency and significant lifecycle cost reductions for satellite communications systems worldwide. Since 2005, Wavestream has built and deployed over 6,000 SSPAs worldwide. We acquired Wavestream in November 2010.

Wavestream's headquarters, research and development, engineering and manufacturing facilities are located in San Dimas, California, with an executive office in San Diego, California and a design center in Singapore. Wavestream has 171 employees.

Wavestream Market and Customers

Wavestream addresses the following applications and/or markets:

- Defense Communications - satellite, airborne, troposcatter and highly secure point-to-point. This market is typically categorized by customers requiring high quality products – at times for mission critical communications in extreme environmental conditions. The satellite terminals (e.g., VSAT, SCPC) are usually provided to the defense agencies via system integrators, and not directly from the power amplifier suppliers.

- Government - public safety, emergency response and disaster recovery. Similar to the market for defense agencies, though usually less demanding in terms of environmental conditions, these terminals are provided to various local, state and federal agencies that need to manage emergency communications. The satellite terminals (e.g., VSAT, SCPC) are usually provided via system integrators or service providers and not directly from the power amplifier suppliers.

- Commercial terminals - A high power amplifier is used with high-end VSAT terminals for various applications where there is the requirement to transmit large amounts of data. Examples include Satellite News Gathering for video transmission, Remote Cellular Backhaul to connect remote cellular base-stations to the core network and Remote Operations (e.g., oil and gas platforms) where large amounts of data need to be transmitted, and no terrestrial alternative is available.

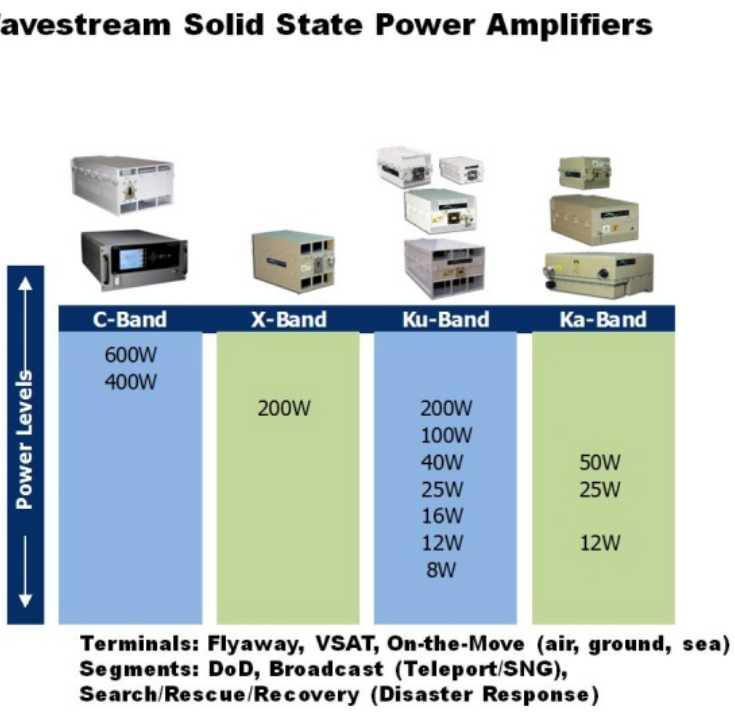
- Commercial broadcast - Broadcast providers and teleport operators require high power amplifiers in order to transmit large carriers, such as for TV broadcast, multicast of video and high-speed IP connectivity.

Wavestream's customers include General Dynamics, TCS and FEMA.

Wavestream Products

We believe that Wavestream has established market leadership with its compact, highly efficient SSPAs with a field-proven family of Ka, Ku, X and C-band products. Wavestream's products are designed and tested to meet strenuous requirements for temperature, shock and vibration, as well as over the full range of frequency and temperature.

The following figure describes the Wavestream products:



Competition

The telecommunications industry operates in a competitive market. In the equipment market, we face competition from other VSAT manufacturers, such as HNS, ViaSat, iDirect and a few other smaller manufacturers.

Raysat Antenna Systems's competitors include Cobham, ERA, Starling, Orbit and Thinkom. This market is nascent, and not as mature as the fixed VSAT or satellite services markets.

In Peru and Colombia, where we primarily operate public rural telecom services, we typically encounter competition on government subsidized bids from various service providers, system integrators and consortiums. Some of these competitors offer solutions based on VSAT technology and some on alternate technologies (typically cellular, wireless local loop or WiMAX). As operators that offer terrestrial or cellular networks expand their reach to certain Gilat Peru & Colombia regions, they compete with our VSAT solutions. Examples of such competitors are Telefonica Peru, Empresas Telefonicas de Bogota, Internet Por Colombia and SkyNet.

The U.S. enterprise VSAT market is primarily served by Spacenet and HNS. In addition, more recently, Spacenet's primary competitors in the enterprise WAN market are large terrestrial carriers such as AT&T, Verizon and Qwest.

Wavestream's competitors are Comtech (which acquired Xicom in 2008), CPI, Codan, GD Satcom and Paradise. A COMSYS report from 2009 estimated that Wavestream's market share grew from being close to zero in 2006 to13% in 2009 and that it is the leading vendor of mid-powered Ka power amplifiers.

Geographic Distribution of our Business

The following table sets forth our revenues by geographic area for the periods indicated below as a percent of our total sales:

	Years Ended December 31,		
	2010	2009	2008
United States	35.8%	37.1%	39.9%
South America and Central America	36.2%	39.1%	27.5%
Asia	15.5%	15.9%	14.8%
Africa	7.0%	4.9%	13.3%
Europe	5.5%	3.0%	4.5%
Total	100.0%	100%	100.0%

Backlog

On December 31, 2010, our backlog for equipment sales and revenues from multi-year service contracts for our VSAT products was approximately $ 232 million, up from approximately $180 million at year-end 2009. Backlog does not include revenues from future traffic on our rural networks, future revenues from subscribers, from our consumer and enterprise operation and other cancelable agreements. Backlog is not necessarily indicative of future sales. Many of our contracts can be terminated at the convenience of the customer. In addition, some of our contracts may include product specifications that require us to complete additional product development. Any inability to meet the specifications or complete the product development could lead to a termination of the related contract.

C. Organizational Structure

Significant Subsidiary	Country/State of Incorporation	% ownership
1. Spacenet Inc.	Delaware	100%
2. StarBand Communications Inc.	Delaware	100%
3. Gilat Satellite Networks (Holland) B.V.	Netherlands	100%
4. Gilat Colombia S.A. E.S.P	Colombia	100%
5. Gilat to Home Peru S.A	Peru	100%
6. Gilat do Brazil Ltda.	Brazil	100%
7. Gilat Satellite Networks (Mexico) S.A. de C.V.	Mexico	100%
8. Wavestream Corporation	Delaware	100%
9. Raysat Antenna Systems LLC	Delaware	100%
10. Raysat Antenna Systems Ltd.	Israel	100%

D. Property, Plants and Equipment

Our headquarters are located in a modern office park which we own in Petah Tikva, Israel. This facility is comprised of approximately 380,000 square feet of office space, out of which approximately 234,300 square feet are currently used by us and approximately 145,700 square feet are subleased to third parties.

We have network operations centers in Marietta, Georgia and shared hub facilities in Chicago, Illinois, Peru and Colombia, from which we perform network services and customer support functions 24 hours a day, 7 days a week, 365 days a year.

We lease approximately 137,000 square feet of office space in McLean, Virginia. These offices house our personnel and also contain a stand by disaster recovery facility. In 2000 and 2002, we purchased and developed facilities on approximately 140,400 square feet of land in Backnang, Germany. Since May, 2002, these facilities are leased to a third party. We own approximately 13,347 square feet of research and development and manufacturing facilities in Sofia, Bulgaria. Wavestream currently occupies approximately 32,498 square feet of facilities for office space, research and development and manufacturing in San Dimas, California under a lease which will expire on November 30, 2011. We are currently negotiating a lease for new facilities at another location in San Dimas to commence at the expiration of the current lease. We also lease 24,111 square feet of manufacturing and office space in Rehovot, Israel, for Raysat Antenna Systems Israel Ltd., which we are planning to vacate in May 2011 when its operations will move to our property in Petah Tikva.

We also maintain facilities in Chicago, Illinois, Marietta, Georgia and in Brazil, Colombia, Mexico, Moldova, Singapore, San Diego and Peru, along with representative offices in Melbourne, Pretoria, Bangkok, New Delhi, Almaty, Jakarta, Moldova, and Moscow and small facilities in other locations throughout the world.

We believe our facilities to be adequate for our needs.

ITEM 4A: UNRESOLVED STAFF COMMENTS

There are no unresolved staff comments.

ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following discussion of our results of operations should be read together with our audited consolidated financial statements and the related notes, which appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our current plans, estimates and beliefs and involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this annual report.

Introduction

We were incorporated in 1987 and began trading on the NASDAQ Stock Market in 1993. We are a leading global provider of IP based digital satellite communication and networking products and services. We design, produce and market VSATs and related VSAT network equipment. VSATs are earth-based terminals that transmit and receive broadband, Internet, voice, data and video via satellite. VSAT networks have significant advantages to wireline and wireless networks, as VSATs can provide highly reliable, cost effective, end-to-end communications regardless of the number of sites or their geographic locations.

We have a large installed customer base and have shipped more than 750,000 VSAT units to customers in over 85 countries on six continents since 1989. We have 22 offices worldwide and two call centers to support our customers. Our products are primarily sold to communication service providers and operators that use VSATs to serve enterprise, government and residential users. Also, in the United States and certain countries in Latin America, we provide services directly to end-users in various market segments.

We currently operate three complementary businesses which are comprised of four reportable segments:

- Gilat Worldwide, which is comprised of two reportable segments:
    - Gilat International, a provider of VSAT-based networks and associated professional services, including turnkey and management services, to telecom operators worldwide. Since our acquisition of RAS, Gilat International is also a provider of low-profile antennas, used for Satcom-On-The-Move antenna solutions.
    - Gilat Peru & Colombia, a provider of telephony, Internet and data services primarily for rural communities in Peru and Colombia under projects that are subsidized by government entities;
- Spacenet Inc., a provider of satellite network services to enterprises, government, small office/home office, or SOHOs, and residential customers in the United States;
- Wavestream, a provider of high power SSPAs, BUCs with field-proven, high performance solutions designed for mobile and fixed SATCOM systems worldwide, primarily in the defense market.

In March 2010 and in April 2010 we entered into definitive agreements to acquire RAS, and RaySat BG, a Bulgarian research and development center. During July and August 2010, we closed the acquisitions of both companies. In addition, we acquired Wavestream on November 29, 2010.

Financial Statements in U.S. dollars

The currency of the primary economic environment in which most of our operations are conducted is the U.S. dollar and, therefore, we use the U.S. dollar as our functional and reporting currency. Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Gains and losses arising from non-U.S. dollar transactions and balances are included in the consolidated statements of operations. The financial statements of foreign subsidiaries, whose functional currency has been determined to be their local currency, have been translated into U.S. dollars. Assets and liabilities have been translated using the exchange rates in effect at the balance sheet date. Statements of operations amounts have been translated using the average rates, which approximate the prevailing exchange rate for each transaction. The resulting translation adjustments are reported as a component of shareholders' equity in accumulated other comprehensive income (loss).

Critical Accounting Policies and Estimates

The preparation of the financial information in conformity with generally accepted accounting principles requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, mainly related to account receivables, inventories, deferred charges, long-lived assets, revenues, stock based compensation relating to options and contingencies. We base our estimates on historical experience and on various assumptions, including assumptions of third parties that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of the financial information included in this annual report.

Consolidation. Our consolidated financial statements include the accounts of our company and those of our subsidiaries, in which we have a controlling voting interest, as well as entities consolidated under the variable interest entities or VIE provisions of ASC 810, "Consolidation" ("ASC 810") (formerly: Financial Accounting Standards Board ("FASB") Interpretation No. 46(R), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46")). Inter-company balances and transactions have been eliminated upon consolidation.

We apply the provisions of ASC 810, which provides a framework for identifying VIEs and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in our consolidated financial statements.

In general, a VIE is a corporation, partnership, limited-liability corporation, trust, or any other legal structure used to conduct activities or hold assets that either (i) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (ii) has a group of equity owners that is unable to make significant decisions about its activities, (iii) has a group of equity owners that does not have the obligation to absorb losses or the right to receive returns generated by its operations or (iv) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both, and substantially all of the entity's activities (for example, providing financing or buying assets) either involve or are conducted on behalf of an investor that has disproportionately few voting rights.

ASC 810 requires a VIE to be consolidated by the party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) that has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impacts the VIE's economic performance; (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could be potentially be significant to the VIE.

A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and non-controlling interests at fair value and subsequently account for the VIE as if it were consolidated based on a majority voting interest. ASC 810 also requires disclosures about VIEs in which the variable interest holder is not required to consolidate but in which it has a significant variable interest.

Most of the activity of Gilat Colombia consists of operating subsidized projects for the government or the Compartel Projects. The Compartel projects were awarded to our Colombian subsidiaries in 1999 and 2002.

As required in the bid documents for the Compartel Projects, we established trusts, or the Trusts, and entered into a governing trust agreement for each project, or collectively, the Trust Agreements. The Trusts were established for the purpose of holding the network equipment, processing payments to subcontractors, and holding the funds received through the subsidy from the government until they are released in accordance with the terms of the subsidy and paid to us. The Trusts are a mechanism to allow the government to review amounts to be paid with the subsidy and to verify that such funds are used in accordance with the transaction document of the project and the terms of the subsidy. We generate revenues both from the subsidy, as well as from the use of the network that Gilat Colombia operates.

The Trusts are considered VIEs and we are identified as the primary beneficiary of the Trusts. As such, the Trusts were consolidated in our financial statements since their inception.

Under ASC 810, we perform ongoing reassessments of whether we are the primary beneficiary of a variable interest entity. As our assessment provides that we have the power to direct the activities of a VIE that most significantly impacts the VIE's activities (we are responsible for establishing and operating the networks), the obligation to absorb losses of the VIE that could potentially be significant to the VIE and the right to receive benefits from the VIE that could potentially be significant to the VIE economic performance, we therefore concluded that we are the primary beneficiary of the Trusts. As such, the Trusts were consolidated in our financial statements since their inception.

As of December 2010 and 2009, the Trust's total assets, classified as "Restricted cash held by trustees" and total liabilities, classified as "Short-term advances from customers held by trustees" consolidated within the financial statements of the Company amounted to $ 1,004,000 and $ 2,137,000 respectively.

Revenues. We generate revenues mainly from the sale of products and services for satellite-based communications networks. Sale of products includes mainly the sale of VSATs and hubs. Service revenues include access to and communication via satellites, or space segment, installation of network equipment, telephone services, internet services, consulting, on-line network monitoring, network maintenance and repair services. We sell our products primarily through our direct sales force and indirectly through resellers. Sales consummated by our sales force and sales to resellers are considered sales to end-users.

Revenues from product sales are recognized in accordance with SEC Staff Accounting Bulletin, or SAB No. 104, "Revenue Recognition", when delivery has occurred, persuasive evidence of an agreement exists, the vendor's fee is fixed or determinable, no further obligation exists and collectability is probable. When significant acceptance provision is included in the arrangement, revenues are deferred until the acceptance occurs. Generally, we do not grant rights of return. Service revenues are recognized ratably over the period of the contract or as services are performed, as applicable.

In accordance with ASC 605-25, "Revenue Recognition - Multiple-Element Arrangements" ("ASC 605-25") (formerly Emerging Issues Task Force, or EITF, Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables, or EITF 00-21, a multiple-element arrangement), an arrangement that involves the delivery or performance of multiple products, services and/or rights to use assets is separated into more than one unit of accounting, if the functionality of the delivered element(s) is not dependent on the undelivered element(s), there is vendor-specific objective evidence (VSOE) of fair value of the undelivered element(s), and delivery of the delivered element(s) represents the culmination of the earnings process for those element(s). If these criteria are not met, the revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered. If there is VSOE for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative VSOE.

Revenues from products under sales-type-lease contracts are recognized in accordance with ASC 840 "Leases" ("ASC 840") (formerly SFAS No. 13, "Accounting for Leases", or SFAS No. 13), upon installation or upon shipment, in cases where the customer obtains its own or other's installation services. The net investments in sales-type-leases are discounted at the interest rates implicit in the leases. The present values of payments due under sales-type-lease contracts are recorded as revenues at the time of shipment or installation, as appropriate. Future interest income is deferred and recognized over the related lease term as financial income.

Revenues from products and services under operating leases of equipment are recognized ratably over the lease period, in accordance with ASC 840.

Deferred revenue represent amounts received by the Company when the criteria for revenue recognition as described above are not met and are included in "Other current liabilities" and "Other long term liabilities". In general, when deferred revenue is recognized as revenue, the associated deferred costs are also recognized as cost of sales.

Cost of Revenues. Cost of revenues, for both products and services, includes the cost of system design, equipment, satellite capacity, customer service, interconnection charges and third party maintenance and installation. Generally, for equipment contracts, cost of revenues is expensed as revenues are recognized. For network service contracts, cost of revenues is expensed as revenues are recognized over the term of the contract. For maintenance contracts, cost of revenues is expensed as the maintenance cost is incurred over the term of the contract. At each balance sheet date, we evaluate our inventory balance for excess quantities and obsolescence. This evaluation includes an analysis of sales levels by product and projections of future demand. In addition, we write-off inventories that are considered obsolete. Remaining inventory balances are adjusted to the lower of cost or market value. If future demand for our old or new products or market conditions is less favorable than our projections, inventory write-offs may be required and would be reflected in cost of revenues for such period.

Income Taxes. We account for uncertain tax position in accordance with ASC 740-10, "Income Taxes" ("ASC 740-10") , as amended by FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" ("FIN 48"). ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS 109. This interpretation prescribes a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition of tax positions, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 requires significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and consequently, affect the operating results of our company.

Accounts Receivable and Allowance for Doubtful Accounts. We are required to estimate our ability to collect our trade receivables. A considerable amount of judgment is required in assessing their ultimate realization. We provided allowance for our receivables relating to customers that were specifically identified by our management as having difficulties paying their respective receivables. If the financial condition of our customers deteriorates, resulting in their inability to make payments, additional allowances may be required. These estimates are based on historical bad debt experience and other known factors pertaining to these customers. If the historical data we used to determine these estimates does not properly reflect future realization, additional allowances may be required.

Inventory Valuation. We are required to state our inventories at the lower of cost or market value. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements and compare that with the current or committed inventory levels.

Impairment of Intangible Assets and Long-Lived Assets. We periodically evaluate our intangible assets and long-lived assets (mainly property and equipment) for potential impairment indicators. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions, operational performance and prospects of our acquired businesses and investments. Our long-lived assets are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. In measuring the recoverability of assets, we are required to make estimates and judgments in assessing our future cash flows which derive from the estimated useful life of our current primary assets, and compare that with the carrying amount of the assets. Additional significant estimates used by management in the methodologies used to assess the recoverability of our long-lived assets include estimates of future short-term and long-term growth rates, useful lives of assets, market acceptance of products and services, our success in winning bids and other judgmental assumptions, which are also affected by factors detailed in our risk factors section in this prospectus. If these estimates or the related assumptions change in the future, we may be required to record impairment charges for our long-lived assets.

Future events could cause us to conclude that impairment indicators exist and that additional intangible assets and long-lived assets associated with our acquired businesses and our long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

In accordance with the Compartel projects, the Colombian government transferred approximately $70 million to the Trust accounts. The money was released from the Trusts based on a schedule of payments and upon meeting certain operational milestones. As of December 31, 2008, approximately $51 million had been released from the Trusts to us and approximately $24 million was held in trust until certain operational milestones imposed by the Colombian government were met. In December 2008, after lengthy negotiations with the Colombia Ministry of Communications, we signed an addendum relating to the Compartel projects, modifying the operational milestones. The terms of the addendum included the removal of thousands of telephony sites, which were determined to no longer be needed or used by the rural population in Colombia, the upgrade of technology, primarily in existing sites, entailing additional capital expenditure, the modification of the terms of the agreements and a release by each of the parties from all prior claims under the previous agreements. During 2009, the remainder of the $24 million was released from the Trusts following the successful implementation of the project and the meeting of the required indicators. In January 2010 and later in December 2010, the Ministry of Communications in Colombia extended and amended the agreements for the provision of services under the projects for years ending December 31, 2010 and 2011, respectively.

In accordance with the guidelines of ASC 360 (formerly FASB 144, “Accounting for the impairment or disposal of long lived assets”), we recorded an impairment of long lived assets and other charges with respect to the Compartel projects in Colombia of $5.0 million and $12.2 million in 2008 and 2007 respectively.

Goodwill. Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. Under ASC 350 (formerly SFAS No. 142), goodwill is not amortized, but rather is subject to an annual impairment test. ASC 350 requires goodwill to be tested for impairment at least annually or between annual tests in certain circumstances, and written down when impaired. Goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. Fair value is determined using discounted cash flows. Significant estimates used in the fair value methodologies include estimates of future cash flows, future growth rates and the weighted average cost of capital of the reporting units. We have elected to perform the annual impairment tests in the fourth quarter of the year and did not identify any impairment losses as of December 31, 2010.

Subsequent to December 31, 2010, we identified certain indicators that may affect the carrying value of goodwill and\or other intangibles assets attributed to Wavestream. Should those indicators continue, we will be required to perform an interim impairment analysis that may affect the carrying value of goodwill and other intangibles assets or the amortization period of those intangible assets. We may also be required to reassess the value attributed to our contingent consideration obligation in connection with the Wavestream acquisition agreement.

Legal and Other Contingencies. We are currently involved in certain legal and other proceedings and are also aware of certain tax and other legal exposures relating to our business. We are required to assess the likelihood of any adverse judgments or outcomes of these proceedings or contingencies as well as potential ranges of probable losses. A determination of the amount of accruals required, if any, for these contingencies is made after careful analysis. The accounting treatment related to income taxes exposure or contingencies has been assessed and provided in accordance with ASC 740, "Income Taxes" ("ASC 740") (formerly: SFAS No. 109, "Accounting for Income Taxes" and ASC 740-10 (formally FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes")). ASC 740-10 clarifies the accounting for income taxes, by prescribing the minimum recognition threshold that a tax position is required to meet before recognized in the financial statements. ASC 740-10 utilizes a two-step approach for evaluating tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) is only addressed if step one has been satisfied (i.e., the position is more-likely-than-not to be sustained), otherwise, a full liability in respect of a tax position not meeting the more-than-likely-than-not criteria is recognized.

Liabilities related to legal proceedings, demands and claims are recorded in accordance with the ASC 450, "Contingencies" ("ASC 450") (formerly: SFAS No. 5 "Accounting for Contingencies), which defines a contingency as "an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur." In accordance with ASC 450, accruals for exposures or contingencies are being provided when the expected outcome is probable and when the amount of loss can be reasonably estimated. It is possible, however, that future results of operations for any particular quarter or annual period could be materially affected by changes in our assumptions, the actual outcome of such proceedings or as a result of the effectiveness of our strategies related to these proceedings.

Accounting for Stock-Based Compensation. On January 1, 2006, we adopted the provisions of Standard ASC 718, "Compensation-Stock Compensation" ("ASC 718") (formerly: SFAR 123(R), "Share-Based Payment"), which requires us to measure all employee stock-based compensation awards using a fair value method and recognize such expense in our consolidated financial statements. We adopted ASC 718 using the modified prospective transition method, which requires the application of the accounting standard starting from January 1, 2006. We estimate the fair value of stock options granted using the Black-Scholes option pricing model, and the fair value of Restricted Share Units or RSU, based on the market stock price on the date of grant. Prior to the adoption of ASC 718, we accounted for equity-based awards to employees and directors using the intrinsic value method in accordance with APB No. 25, "Accounting for Stock Issued to Employees" ("APB 25") as allowed under SFAS 123. Non-cash share-based compensation of $1.7 million was recorded in 2010. As of December 31, 2010, we had $5.7 million of total unrecognized compensation costs related to non-vested share-based awards granted under our stock option plans. That cost is expected to be recognized over a weighted average period of 1.6 years.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenues. Revenues for the years ended December 31, 2010 and 2009 for our four reportable segments were as follows:

	Year Ended December 31,			Year Ended December 31,	
	2010	2009	Percentage	2010	2009
	U.S. dollars in thousands		change	Percentage of revenues	
Gilat Worldwide					
Gilat International					
Equipment	115,024	85,730	34.16%	49.37%	37.59%
Services	15,763	23,986	(34.26%)	6.77%	10.52%
	130,787	109,716	19.21%	56.14%	48.11%
Gilat Peru & Colombia					
Equipment	69	109	(36.70%)	0.03%	0.05%
Services	35,793	46,567	(23.14%)	15.36%	20.42%
	35,862	46,676	(23.17%)	15.39%	20.47%
Spacenet					
Equipment	18,185	17,438	4.28%	7.80%	7.65%
Services	61,174	66,099	(7.45%)	26.26%	28.98%
	79,359	83,537	(5.00%)	34.06%	36.63%
Wavestream					
Equipment	4,041			1.73%	
	4,041			1.73%	
Intercompany Adjustments					
Equipment	17,064	11,870	43.76%	7.32%	5.20%
	17,064	11,870	43.76%	7.32%	5.20%
Total					
Equipment	120,255	91,407	31.55%	51.61%	40.08%
Services	112,730	136,652	(17.50%)	48.39%	59.92%
Total	232,985	228,059	2.16%	100.00%	100.00%

Revenues in 2010 increased by approximately $5 million compared to 2009, representing an increase of 2.16%.

Gilat International revenues increased by approximately $21 million, through both organic growth and acquisitions. The increase was derived mainly from an increase of approximately $6 million in Latin America, approximately $5.7 million in Europe, and approximately $5 million in Africa, which increases were offset by a decrease of approximately $0.9 in North America. In addition, intercompany sales, included in the international revenues, increased by approximately $5.2 million, mainly from sales to Spacenet to support the deployment of the networks in the gaming sector.

The increased 2009 revenues in Peru and Colombia as compared to 2010 is attributable to Colombia. During 2009, most of our revenues in Colombia derived from the release of approximately $24 million from a trust related to the execution the agreements with the Ministry of Communications. At the end of 2009, the Colombian Ministry of Communications extended those agreements for an additional one year, for a consideration of approximately $12 million resulting in lower revenues as compared to 2009.

Wavestream revenues represent only one month of operations as the acquisition was closed on November 29, 2010.

Revenues in 2010 were derived approximately 52% from equipment and 48% from services. In 2009, our revenues were derived approximately 40% from equipment and 60% from services. The decrease in the services portion of our revenues in 2010 is mainly attributable to the lower portion of revenues derived from our operations in Colombia and in Spacenet.

Gross profit. The gross profit of our four reportable segments for the years ended December 31, 2010 and 2009 was as follows:

	Year Ended December 31,		Year Ended December 31,	
	2010	2009	2010	2009
	U.S. dollars in thousands		Percentage of revenues per segment	
Gilat Worldwide				
Gilat International				
Equipment	53,815	31,715	46.79%	36.99%
Services	2,264	12,446	14.36%	51.89%
	56,079	44,161	42.88%	40.25%
Gilat Peru & Colombia				
Equipment	(17)	31	(24.64)%	28.44%
Services	8,598	14,141	24.02%	30.37%
	8,581	14,172	23.93%	30.36%
Spacenet				
Equipment	3,725	3,696	20.48%	21.20%
Services	10,708	9,109	17.50%	13.78%
	14,433	12,805	18.19%	15.33%
Wavestream				
Equipment	653		16.16%	
	653		16.16%	
Intercompany Adjustments	(108)	707	(0.63)%	5.96%
Total Gross Profit	79,854	70,431	34.27%	30.88%

Our gross profit margin increased to 34.27% in the year ended December 31, 2010, from 30.88% in 2009. The increase in our gross margin is primarily attributable to Gilat International, which was partially offset by a decrease in gross profit from Colombia. The gross profit in international sales increased due to the increase in our equipment revenues which typically carry higher gross margins than our services business.

In addition, our gross margin is affected by the regions in which we operate and the type of deals we consummate. During 2010, a higher portion of revenues were derived from regions that carry higher margins such as Eastern Europe, Africa and Latin America. The decrease in the gross margin for Peru and Colombia is primarily due to the lower level of revenues in Colombia while maintaining a similar level of fixed expenses there, compared to the previous year.

Gross margin for Wavestream represents only one month of operation and cannot be used as an indication for the level of their gross margin on a yearly basis. In addition, amortization expenses of approximately $1.2 million are included in Wavestream's cost of sales. These amortization expenses relate mainly to the purchase price allocation in respect of technology and inventory. In general, Wavestream's business is equipment based; and its gross margin on an annual basis, excluding the above amortization expenses, is expected to be similar to the margins in the Gilat International equipment business.

Our gross profit is affected year-to-year by the mix between equipment and services, the regions in which we operate, the size of our deals and the timing in which transactions are consummated. As such, we are subject to fluctuation in our business profits, which can lead to year-to-year fluctuations

When reported by segments, the results of Spacenet, Peru and Colombia are presented based on intercompany transfer prices. The intercompany adjustments line reflects the intercompany profits that were realized in order to adjust the transfer price to our cost.

Research and Development Expenses:

	Year Ended December 31,			Year Ended December 31,	
	2010	2009	Percentage	2010	2009
	U.S. dollars in thousands		Change	Percentage of revenues per segment	
Gilat International					
Expenses incurred	21,638	16,281	32.90%	16.54%	14.84%
Less - grants	3,249	2,311	40.59%	(2.48)%	(2.11)%
Total	18,389	13,970	31.63%	14.06%	12.73%
Wavestream -Expenses incurred	556			13.76%	
Total , net	18,945	13,970	35.61%	14.05%	12.73%

Net research and development expenses increased by approximately $5 million in the year ended December 31, 2010, compared to the year ended December 31, 2009. This increase is in line with our strategy and efforts to develop new products for new markets and to augment the capabilities of our current products and due to the consolidation of the operations of RAS and Wavestream for a portion of the year. We expect that our gross research and development expenses will increase gradually throughout 2011, reflecting the full effect of the consolidation of Wavestream and RAS and our continuing efforts to enhance our current products and the development of new ones. The increase in our gross research and development expenses in 2010 was partially offset by a higher level of research and development grants of approximately $0.9 million due to the initiation of a new project.

Selling and marketing expenses. The selling and marketing expenses of our four reportable segments for the years ended December 31, 2010 and 2009 were as follows:

	Year Ended December 31,			Year Ended December 31,	
	2010	2009	Percentage	2010	2009
	U.S. dollars in thousands		change	Percentage of revenues per segment	
Gilat Worldwide:					
Gilat International	21,800	20,971	3.95%	16.67%	19.11%
Gilat Peru & Colombia	1,273	586	117.24%	3.55%	1.26%
Spacenet	9,949	7,581	31.24%	12.54%	9.07%
Wavestream	374			9.23%	
Total	33,396	29,138	14.61%	14.33%	12.78%

Selling and marketing expenses increased by approximately $4.3 million in the year ended December 31, 2010, compared to the year ended December 31, 2009. This increase is primarily attributable to the higher level of sales incentives paid to our sales force related to higher bookings achieved during 2010 as compared to 2009. In addition, during 2010 we increased our headcount and expenses to support our strategy of entering into new markets and strengthening our position in existing ones.

General and administrative expenses. The general and administrative expenses of our four reportable segments for the years ended December 31, 2010 and 2009 were as follows:

	Year Ended December 31,			Year Ended December 31,	
	2010	2009	Percentage	2010	2009
	U.S. dollars in thousands		change	Percentage of revenues per segment	
Gilat Worldwide:					
Gilat International	12,220	11,590	5.44%	9.34%	10.56%
Gilat Peru & Colombia	4,262	5,794	(26.44)%	11.88%	12.41%
Spacenet	12,854	10,603	21.23%	16.20%	12.69%
Wavestream	508			12.60%	
Total	29, 844	27,987	6.64%	12.81%	12.27%

General and administrative expenses increased by approximately $1.9 million in 2010 as compared to 2009. In Gilat International, the increase is primarily attributable to the partial consolidation of RAS during the second half of 2010 and to higher stock based compensation expenses of approximately $0.5 million. In Spacenet, the increase is primarily attributable to the operations of SIGS, which began its operations at the end of 2009.

Costs related to acquisition transactions. In 2010, we completed the acquisitions of RAS and Wavestream for approximately $154 million, net of cash received. We recorded approximately $3.8 million in direct expenses related to these acquisitions. Such amount includes investment banker's fees, legal and other professional expenses.

Financial expenses, net. In the year ended December 31, 2010, we had financial expenses of approximately $0.6 million compared to financial income of approximately $1.0 million in 2009. The decrease of $1.6 million is mainly derived from significantly lower interest rates as well as the significant reduction in our total cash balance due to the acquisitions made during 2010.

Other Income. During 2010, we recorded $37.4 million in other income. This amount is comprised of: (i) the sale of our ownership interest in a company in which we invested in the past, and which investment had been previously written-off, for approximately $24.3 million, and (ii) approximately $13 million of proceeds to be received pursuant to a settlement agreement with a consortium of private equity investors in connection with the termination of the 2008 Merger Agreement. The total settlement agreement amounted to approximately $20 million. We recorded $13 million as other income, reflecting the portion we received in cash or secured by bank guarantees; the remainder is due in equal annual payments through 2013.

Taxes on income. Taxes on income are dependent upon where our profits are generated, such as the location and taxation of our subsidiaries. Taxes on income in 2010 were approximately $11 thousand compared to approximately $0.9 million in 2009. The decrease in taxes during 2010 was mainly attributable to: (i) income taxes derived from a tax refund in one of our subsidiaries in respect of previous years, (ii) deferred tax income we recorded due to temporary differences related to the amortization of intangible assets of Wavestream as part of the acquisition purchase price allocation; and (iii) the reversal of a tax provision due to the expiration of the statute of limitations. These income taxes were offset by tax expenses derived from our activities in Latin America.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

In the years ended December 31, 2009 and 2008, we operated under three reportable segments which comprised of Gilat International, Gilat Peru & Colombia and Spacenet.

Revenues. Revenues for the years ended December 31, 2009 and 2008 for our three reportable segments were as follows:

	Year Ended December 31,			Year Ended December 31,	
	2009	2008	Percentage	2009	2008
	U.S. dollars in thousands		change	Percentage of revenues	
Gilat Worldwide:					
Gilat International					
Equipment	85,730	136,500	(37.19)%	37.59%	51.02%
Services	23,986	25,420	(5.64)%	10.52%	9.50%
	109,716	161,920	(32.24)%	48.11%	60.52%
Gilat Peru & Colombia					
Equipment	109	169	(35.50)%	0.05%	0.06%
Services	46,567	24,373	91.06%	20.42%	9.11%
	46,676	24,542	90.19%	20.47%	9.17%
Spacenet					
Equipment	17,438	38,950	(55.23)%	7.65%	14.56%
Services	66,099	67,410	(1.94)%	28.98%	25.20%
	83,537	106,360	(21.46)%	36.63%	39.76%
Intercompany Adjustments					
Equipment	11,870	25,268	(53.02)%	5.20%	9.45%
Services		28	(100.00)%	0.00%	0.01%
	11,870	25,296	(53.08)%	5.20%	11.09%
Total					
Equipment	91,407	150,351	(39.20)%	40.08%	56.20%
Services	136,652	117,175	16.62%	59.92%	43.80%
Total	228,059	267,526	(14.75)%	100.00%	100.00%

Revenues in 2009 decreased by approximately $39 million compared to 2008, representing a decrease of 14.75%. The decrease in our revenues was attributed mainly to the global economic conditions and the recession in the United States during 2009, specifically during the first half of 2009, leading to conservative spending in the telecom sector and postponement or reduction of capital expenditures.

International revenues decreased by approximately $52.2 million, reflecting a decrease in revenues derived from sales to third parties of approximately $38.8 million, and approximately $13.4 million of intercompany revenues derived from sales to Spacenet. The decrease in Gilat International revenues is primarily attributable to an approximately $24.3 million decrease in sales to the Africa region and to a decrease of approximately $5.3 million in sales to Eastern Europe.

Spacenet revenues decreased by approximately $22.8 million. The reduction is attributable to tight market conditions in the United States together with the difficult economic environment. The decrease is primarily due to a decline in sales of network equipment and connectivity services to customers that provide technology services in the gaming sector, of approximately $10.2 million as compared to 2008, and from a decline of sales in the consumer sector, which decreased by approximately $4.7 million as compared to 2008.

The decrease in revenues both in Gilat International and Spacenet was slightly offset by increased revenues of approximately $22.1 million from our Colombia operation. This increase in revenues was primarily due to the release of approximately $ 24 million of restricted cash from a Trust in Colombia. The total revenues derived from the released of the restricted cash were slightly offset by a reduction in traffic revenues.

Revenues in 2009 were derived approximately 40% from equipment and 60% from services. In 2008, our revenues were derived approximately 56% from equipment and 44% from services. The increase in the service portion of our revenues in 2009 is mainly attributable to the higher portion of revenues derived from our operations in Colombia together with the decrease of Gilat International revenues, which are typically from the sale of equipment.

Gross profit. The gross profit for the years ended December 31, 2009 and 2008 for our three reportable segments was as follows:

	Year Ended December 31,		Year Ended December 31,	
	2009	2008	2009	2008
	U.S. dollars in thousands		Percentage of revenues per segment	
Gilat Worldwide:				
Gilat International				
Equipment	31,715	58,547	36.99%	42.90%
Services	12,446	8,354	51.89%	32.90%
	44,161	66,901	40.25%	41.30%
Gilat Peru & Colombia	31	43	28.44%	25.30%
Equipment	14,141	(2,992)	30.37%	(12.30)%
Services	14,172	(2,949)	30.36%	12.00%
Spacenet				
Equipment	3,696	11,704	21.20%	30.00%
Services	9,109	8,952	13.78%	13.30%
	12,805	20,656	15.33%	19.40%
Intercompany Adjustments	707	1,344	5.96%	5.30%
Total Gross Profit	70,431	85,952	30.88%	32.10%

Our gross profit margin decreased to 30.88% in the year ended December 31, 2009 from 32.10% in the year ended December 31, 2008. The decrease in the gross profit was due to a decrease in the Company's revenues, mainly in Gilat International and Spacenet. In general, Gilat International's revenues carry higher margins compared to Spacenet and Gilat Peru & Colombia. The decrease in Gilat International's gross profit is due to its lower level of revenues together with the decrease in the Gilat International portion of the total revenues of our other segments. The decrease in Spacenet's gross profit was primarily due to the decrease in revenues, while maintaining a similar level of fixed expenses compared to the previous year.

The decrease in our gross profits was offset in part by the increase from Gilat Colombia operations, which carried higher gross margins primarily as a result of the release of the restricted cash and the related revenues, which carried a low level of incremental expense resulting in higher margins. During 2009, we took certain cost cutting measures, which included reduction in salary levels and in head count, mainly in Gilat International. Those cost cutting measures slightly offset the reduction in Gilat International's gross margins. Our gross profit is affected year-to-year by the mix between equipment and services, the regions in which we operate the size of our deals and the timing in which transactions are consummated. As such, we are subject to lumpiness in our business profits, which can lead to year-to-year fluctuations

When reported by segment, the results of Spacenet and Gilat Peru & Colombia are presented based on intercompany transfer prices. The intercompany adjustments line reflects the intercompany profits that were realized in order to adjust the transfer price to our cost.

Research and Development Expenses:

	Year Ended December 31,			Year Ended December 31,	
	2009	2008	Percentage	2009	2008
	U.S. dollars in thousands		change	Percentage of revenues per segment	
Gilat International					
Expenses incurred	16,281	18,702	(12.95)%	14.84%	11.55%
Less - grants	2,311	1,760	31.31%	(2.11)%	(1.09)%
Total Gilat International	13,970	16,942	(17.54)%	12.73%	10.46%

Net research and development expenses decreased by approximately $3 million in the year ended December 31, 2009, compared to the year ended December 31, 2008. This decrease is in line with the cost cutting measures we took during 2009, which included reduction in salary levels and head count. Net research and development expenses also decreased by approximately $0.6 million due to the increase in grants.

Selling and marketing expenses. The selling and marketing expenses of our three reportable segments for the years ended December 31, 2009 and 2008 were as follows:

	Year Ended December 31,			Year Ended December 31,	
	2009	2008	Percentage	2009	2008
	U.S. dollars in thousands		change	Percentage of revenues per segment	
Gilat International	20,971	25,741	(18.53)%	19.11%	15.90%
Spacenet	7,581	9,309	(18.56)%	9.07%	8.80%
Gilat Peru & Colombia	586	733	(20)%	1.26%	3.00%
Total	29,138	35,783	(18.57)%	12.78%	13.40%

Selling and marketing expenses decreased by approximately $6.6 million in the year ended December 31, 2009, compared to the year ended December 31, 2008. This decrease is primarily attributable to a reduction in sales related expenses, specifically $3.2 million related to reduced sales commissions, as a result of the reduction in revenues. An additional decrease of approximately $2.4 million is related to the cost cutting measures taken during 2009, which included a reduction in salary levels and headcount.

General and administrative expenses. The general and administrative expenses of our three reportable segments for the year ended December 31, 2009 and 2008 were as follows:

	Year Ended December 31,			Year Ended December 31,	
	2009	2008	Percentage	2009	2008
	U.S. dollars in thousands		change	Percentage of revenues per segment	
Gilat International	11,590	14,712	(21.22)%	10.56%	9.09%
Spacenet	10,603	8,939	18.62%	12.69%	8.40%
Gilat Peru & Colombia	5,794	6,168	(6.06)%	12.41%	25.13%
Total	27,987	29,819	(6.14)%	12.27%	11.15%

General and administrative expenses decreased by approximately $1.8 million in 2009 compared to 2008. The decrease is primarily attributable to cost cutting measures taken during 2009 of approximately $2.3 million, which included reductions in salary levels and headcount and a decrease of approximately $1.4 million in rent and maintenance expenses, mainly due to increased income derived from the rental of a portion of our facilities in Petah Tikva. The decrease in expenses during 2009 was partially offset by an increased bad debt provision of approximately $1.8 million.

Financial income, net. In the year ended December 31, 2009, we had financial income of approximately $1.0 million, compared to financial income of approximately $1.3 million in 2008. The decrease in our financial income is mainly attributable to the decrease in income derived from interest on held-to-maturity marketable securities and short term deposits and from exchange differences between local currency and the U.S. dollar in the countries where some of our subsidiaries are located.

Other Income. During the year ended December 31, 2009, we sold our remaining ownership interest in a company in which we invested in the past and which investment had been previously written-off. Our proceeds from this sale were approximately $2.6 million.

Taxes on income. Taxes on income are dependent upon where our profits are generated, such as the location and taxation of our subsidiaries. Taxes on income in 2009 were approximately $0.9 million compared to approximately $1.4 million in 2008. The slight decrease in taxes during 2009 was not due to any particular change in policy or event.

Variability of Quarterly Operating Results

Our revenues and profitability may vary from quarter to quarter and in any given year, depending primarily on the sales mix of our family of products and the mix of the various components of the products (i.e. the volume of sales of remote terminals versus hub equipment), sale prices, and production costs, as well as on entering into new service contracts, the termination of existing service contracts, or different profitability levels between different service contracts. Sales of our products to a customer typically consist of numerous remote terminals and related hub equipment, which carry varying sales prices and margins.

Annual and quarterly fluctuations in our results of operations may be caused by the timing and composition of orders by our customers and the timing of our ability to recognize revenues. Our future results may also be affected by a number of factors, including our ability to continue to develop, introduce and deliver new and enhanced products on a timely basis and expand into new product offerings at competitive prices, to integrate our recent acquisitions, to anticipate effectively customer demands and to manage future inventory levels in line with anticipated demand. Our results may also be affected by currency exchange rate fluctuations and economic conditions in the geographical areas in which we operate. In addition, our revenues may vary significantly from quarter to quarter as a result of, among other factors, the timing of new product announcements and releases by our competitors and us. We cannot be certain that revenues, gross profit and net income (or loss) in any particular quarter will not vary from the preceding or comparable quarters. Our expense levels are based, in part, on expectations as to future revenues. If revenues are below expectations, operating results are likely to be adversely affected. In addition, a substantial portion of our expenses are fixed (i.e. space segment, lease payments), and adjusting the expenses in cases where revenues drop unexpectedly often takes considerable time. As a result, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Due to all of the foregoing factors, it is possible that in some future quarters our revenues or operating results will be below the expectations of public market analysts or investors. In such event, the market price of our shares would likely be materially adversely affected.

Our business historically has not been affected by seasonal variations.

Conditions in Israel

We are incorporated under the laws of the State of Israel, where we also maintain our headquarters and most of our research and development and manufacturing facilities. See Item 3.D. “Key Information – Risk Factors – Risks Relating to Our Location in Israel” for a description of governmental, economic, fiscal, monetary or political polices or factors that have materially affected or could materially affect our operations.

Impact of Inflation and Currency Fluctuations

While most of our sales and service contracts are in U.S. dollars and most of our expenses are in U.S. dollars and NIS, portions of our projects in Latin America are linked to their respective local currencies. The foreign exchange risks are often significant due to fluctuations in local currencies relative to the U.S. dollar.

The influence on the U.S. dollar cost of our operations in Israel relates primarily to the cost of salaries in Israel, which are paid in NIS and constitute a substantial portion of our expenses in NIS. In 2010, the rate of inflation in Israel was 2.7% and the U.S. dollar depreciated in relation to the NIS at a rate of 6%, from NIS 3.775 per $1 on December 31, 2009 to NIS 3.549 per $1 on December 31, 2010. In the period ended December 31, 2009 inflation in Israel was 3.9% while the U.S. dollar depreciated in relation to the NIS at a rate of 0.7%. If future inflation in Israel exceeds the devaluation of the NIS against the U.S. dollar or if the timing of such devaluation lags behind increases in inflation in Israel, our results of operations may be materially adversely affected. In 2009 and 2010, in order to limit these risks, we entered into hedging agreements to cover certain of our NIS to US dollar exchange rate exposures.

Regarding the changes in the value of other foreign currencies in relation to the U.S. dollar, our monetary balances that are not linked to the U.S. dollar impacted our financial expenses during 2010 and 2009. This is due to heavy fluctuations in currencies in certain regions of Latin America in which we do business. There can be no assurance that in the future our results of operations may not be materially adversely affected by other currency fluctuations.

Effective Corporate Tax Rate

On January 1, 2003, a comprehensive tax reform took effect in Israel. Pursuant to the tax reform, resident companies are subject to Israeli tax on income accrued or derived in Israel or abroad. In addition, the concept of a "controlled foreign corporation" was introduced, according to which an Israeli company may become subject to Israeli taxes on certain income of a non-Israeli subsidiary if the subsidiary's primary source of income is passive income (such as interest, dividends, royalties, rental income or capital gains). The tax reform also substantially changed the system of taxation of capital gains. Following the reform, the capital gains tax rate applicable to us was decreased from 36% to 25%, while the allocation of the gain between the two periods is proportional to the holding periods until December 31, 2002, and after December 31, 2002. In 2008 and in 2009, this tax reform did not have any material effect on our liquidity, financial condition or results of operations.

Israeli companies are subject to income tax on their worldwide income. Pursuant to tax reform legislation that came into effect in 2003, the corporate tax rate was subject to staged reductions to 25% by the year 2010. In July 2009, Israel's Parliament (the Knesset) passed the Economic Efficiency Law (Amended Legislation for Implementing the Economic Plan for 2009 and 2010), 2009, which prescribes, among other things, an additional gradual reduction in the Israeli corporate tax rate and real capital gains tax rate starting from 2011 to the following tax rates: 2011 - 24%, 2012 - 23%, 2013 - 22%, 2014 - 21%, 2015 - 20%, 2016 and thereafter - 18%. However, the effective tax rate payable by a company that derives income from an Approved Enterprise or Benefited Enterprise, discussed further below, may be considerably less.

On April 1, 2005, an amendment to the Investment Law came into effect which significantly changed the provisions of the Investment Law. The Amendment limits the scope of enterprises, which may be approved by the Investment Center by setting criteria for the approval of a facility, such as provisions generally requiring that at least 25% of the approved enterprise's income will be derived from export. A facility that is approved under the Amendment is called a "Benefited Enterprise." Additionally, the Amendment enacted major changes in the manner in which tax benefits are awarded under the Investment Law, so that companies no longer require Investment Center approval in order to qualify for tax benefits. However, the Investment Law provides that terms and benefits included in any certificate of approval already granted will remain subject to the provisions of the law as in effect on the date of such approval. Therefore, our existing Approved Enterprises or Benefited Enterprises will not be subject to the provisions of the Amendment.

According to the Amendment, tax-exempt income generated under the provisions of the Amendment will be subject to taxes upon distribution or liquidation and we may be required in the future to record deferred tax liabilities with respect to such tax-exempt income. As of December 31, 2010, we did not generate income under the provisions of the Amendment.

Currently, we have nine Approved Enterprise programs under the alternative route of the Investment Law. The period of benefits for all of these programs has expired. See "Item 10: Additional Information - Israeli Taxation." In addition, our company chose 2005 as the year of election for a new Benefited Enterprise under the amendment.

We expect to derive a substantial portion of our operating income, when we become profitable for Israeli tax purposes from future Benefited Enterprise facilities. We may therefore be eligible for a tax exemption for a limited period on undistributed Benefited Enterprise income, and an additional subsequent period of reduced corporate tax rates ranging between 10% and 25%, (rather than the regular corporate tax rate which is 25% in 2010 and gradually scheduled to be reduced to 18% in 2016), depending on the level of foreign ownership of our shares, on undistributed such Benefited Enterprise income. Income from sources other than the "Approved Enterprises" or “Benefited Enterprises” "during the relevant period of benefits will be taxable at the regular corporate tax rates.

In January 2011, new legislation that constitutes a major amendment to the Investment Law was enacted (the "Amendment Legislation"). Under the Amendment Legislation, a uniform rate of corporate tax will apply to all qualified income of certain Industrial Companies, as opposed to the current law's incentives that are limited to income from Approved Enterprises during their benefits period. According to the Amendment Legislation, the uniform tax rate will be 10% in areas in Israel that will be designated as Development Zone A and 15% elsewhere in Israel during 2011-2012, 7% and 12.5%, respectively, in 2013-2014, and 6% and 12%, respectively, thereafter. Certain "Special Industrial Companies" that meet certain criteria will enjoy further reduced tax rates of 5% in Zone A and 8% elsewhere. The profits of these Industrial Companies will be freely distributable as dividends, subject to a 15% withholding tax (or lower, under an applicable tax treaty). We are not located in a Development Zone A area.

Under the transitory provisions of the Amendment Legislation, a company may elect whether to irrevocably implement the new law in its Israeli company, while waiving benefits provided under the current law, or rather to keep implementing the current law during the next years. Changing from the current law to the new law is permissible at any stage. We are examining the possible effect of the Amendment Legislation on its results.

We anticipate that we will not have to pay taxes relating to the 2010 tax year for most of our major entities due to current or carry forward tax losses. Cash outlays for income taxes in the future might be different from tax expenses, mainly due to cash tax payments for previous years that might be triggered by tax audits in the various tax jurisdictions, deferred tax expenses (income) and payments usually made in arrears for annual taxes in profitable years.

Impact of Recently Issued Accounting Pronouncements

In January 2010, the FASB updated the "Fair Value Measurements Disclosures" codified in ASC 820. More specifically, this update requires an entity to disclose separately: (a) the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value, and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. As applicable to the Company, this update became effective as of the first quarter ended December 31, 2010, except for the gross presentation of the Level 3 roll forward information, which is required for annual reporting as of December 31, 2010. The adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued an update to ASC 810, "Consolidation", which, among other things (i) requires ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity, and eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity; (ii) amends certain guidance for determining whether an entity is a variable interest entity; and (iii) requires enhanced disclosure that will provide users of financial statements with more transparent information about an entity's involvement in a variable interest entity. The update is effective for interim and annual periods beginning after November 15, 2009. The adoption of the new guidance did not have a material impact on our consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, (amendments to FASB ASC Topic 605, Revenue Recognition) (“ASU 2009-13”) and ASU 2009-14, Certain Arrangements That Include Software Elements, (amendments to FASB ASC Topic 985, Software) (“ASU 2009-14”). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-14 removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-13 and ASU 2009-14 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We are currently assessing the impact of these amendments to the ASC on our accounting and reporting systems and processes.

In February 2010, the FASB issued ASU 2010-09 - amendments to certain recognition and disclosure requirements of Subsequent Events codified in ASC 855. This update removes the requirement to disclose the date through which subsequent events were evaluated in both originally issued and reissued financial statements for "SEC Filers." An entity that is a conduit bond obligor (as defined) should evaluate subsequent events through the date that the financial statements are issued, and it should disclose the date through which subsequent events were evaluated. All other entities are required to evaluate subsequent events through the date that the financial statements are available to be issued and also must disclose that date. Other than SEC Filers, all entities are required to disclose the date that financial statements are reissued only if they have been revised for an error correction or retrospective application of GAAP. The adoption of the new guidance did not have a material impact on our consolidated financial statements.

In December 2010, the EITF issued ASU 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts codified in ASC 350, "Intangibles - Goodwill and Other". Under ASC 350, testing for goodwill impairment is a two-step test, in which Step 1 compares the fair value of the reporting unit to its carrying amount. If the fair value of the reporting unit is less than its carrying value, Step 2 is completed to measure the amount of impairment, if any. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 if it appears more likely than not that a goodwill impairment exists.

In determining whether it is more likely than not that a goodwill impairment exists, an entity would consider whether there are any adverse qualitative factors indicating that an impairment may exist (e.g., a significant adverse change in the business climate). The adoption of the new guidance did not have a material impact on our consolidated financial statements.

In December 2010, the EITF issued ASU 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations codified in ASC 805, "Business Combinations". This ASU responds to diversity in practice about the interpretation of the pro forma disclosure requirements for business combinations. When a public entity's business combinations are material on an individual or aggregate basis, the notes to its financial statements must provide pro forma revenue and earnings of the combined entity as if the acquisition date(s) had occurred as of the beginning of the annual reporting period. The ASU clarifies that if comparative financial statements are presented, the pro forma disclosures for both periods presented (the year in which the acquisition occurred and the prior year) should be reported as if the acquisition had occurred as of the beginning of the comparable prior annual reporting period only and not as if it had occurred at the beginning of the current annual reporting period. The ASU also expands the supplemental pro forma disclosure requirements to include a description of the nature and amount of any material non-recurring adjustments that are directly attributable to the business combination. The disclosure requirement of ASU 2010-29 is reflected in the note regarding Pro Forma Information regarding the acquisition of RAS and Wavestream. See also Note 1 to our consolidated financial statements.

B. Liquidity and Capital Resources

Since our inception, our financing requirements have been met through cash from funds generated by private equity investments, public offerings, issuances of convertible subordinate notes, bank loans, operations, as well as funding from research and development grants. In addition, we also finance our operations through available credit facilities as discussed below. We have used available funds primarily for working capital, capital expenditures and strategic investments.

As of December 31, 2010, we had cash and cash equivalents of $ 57.2 million, short-term and long-term restricted cash of $ 8.4 million, short-term restricted cash held in trustees' accounts of $ 1.0 million and short term bank credit of $2.1 million. As of December 31, 2009, we had cash and cash equivalents of $122.7 million, short term bank deposits of $31.7 million, short-term and long-term restricted cash of $6.7 million and short-term restricted cash held in trustees' accounts of $2.1 million.

We believe that our working capital is sufficient for our present requirements.

As of December 31, 2010, our accumulated debt was approximately $61.7 million, comprised of long-term loans of $ 45.2 million, convertible subordinate notes of approximately $14.4 million and current maturities of long-term loans and convertible notes of $ 2.1 million.

The long term loans are primarily compromised of a loan we received in December 2010 in the amount of $40 million from First International Bank of Israel. Under the provisions of that loan, we undertook to satisfy two material covenants: free cash of $15 million and a net debt to EBITDA ratio of 3.5. We believe that as of December 31, 2010 we are in compliance with these two covenants.

Our credit agreements contain various restrictions and limitations that may impact us, including pledges on our assets and property. These restrictions and limitations relate to incurrence of indebtedness, contingent obligations, liens, mergers and acquisitions, asset sales, dividends and distributions, redemption or repurchase of equity interests, certain debt payments and modifications of loans and investments.

The following table summarizes our cash flows for the periods presented:

	Years ended December 31,		
	2010	2009	2008
		US Dollars in thousands	
Net cash provided by (used in) operating activities	12,920	(206)	(19,620)
Net cash provided by (used in) investing activities	(108,208)	59,189	(25,507)
Net cash provided by (used in) financing activities	29,845	(11,009)	(2,168)
Effect of exchange rate changes on cash and cash equivalents	9	782	(1,596)
Net increase (decrease) in cash and cash equivalents	(65,434)	48,756	(48,891)
Cash and cash equivalents at beginning of the period	122,672	73,916	122,807
Cash and cash equivalents at end of the period	57,238	122,672	73,916

Our cash and cash equivalents decreased by approximately $65.4 million during the year ended December 31, 2010 as a result of the following:

Operating activities. Cash provided by operating activities was approximately $12.9 million in 2010 compared to cash used in operating activities of approximately $0.2 million in 2009. The improvement in our operating cash flow during 2010 is mainly attributable to other income of approximately $13 million, out of which $11 million received in cash, derived from our settlement agreement with a consortium of private equity investors in connection with the termination of the 2008 Merger Agreement.

Investing activities. Cash used in investing activities was approximately $108.2 million, mainly attributable to our acquisition of both RAS and Wavestream, for a total amount of approximately $154 million, net of cash received. This amount was offset by $24.3 million derived from the sale of our ownership interest in a company in which we invested in the past, and which investment had been previously written-off, and from net proceeds of-held-to-maturity marketable securities and short term deposits of approximately $32 million.

Financing activities. Cash provided by financing activities was approximately $29.8 million, primarily from the proceeds of a long term bank loan of $40 million repayable over 10 years with a fixed interest rate of 4.77%, offset by repayment of a long term loan and convertible notes and short term bank credit of $10.2 million.

Our cash and cash equivalents increased by approximately $49 million during the year ended December 31, 2009 as a result of the following:

Operating activities. Cash used in operating activities was approximately $0.2 million compared to $19.6 million in 2008. The improvement in our operating cash flow during 2009 is mainly attributable to ongoing efforts to manage our working capital by focusing on improving payment terms and collection from customers, as well as utilization of existing inventory on the one hand, while maintaining an efficient budget and expense control on the other hand.

Our days sales outstanding, or DSO, at the end of 2009, was 73 days compared to 81 days at the end of 2008, reflecting a decrease in our account receivables balance of approximately $14.3 million. In addition, our other assets and inventory decreased by approximately $6.5 million and $9 million respectively. These decreases were entirely offset by a decrease in an account payable of approximately $6.9 million, a decrease in accrued expenses of approximately $6 million, a decrease in an advance from customers held by trustees of approximately $22 million, and a decrease in other account payables and other long term liabilities of approximately $9.9 million.

Investing activities. Cash provided in investing activities was approximately $59.2 million, mainly attributable to net proceeds from held to maturity marketable securities and short term deposits of approximately $32.5 million, net proceeds from the release of restricted cash held by trustees of approximately $21.8 million and proceeds from other restricted cash of approximately $7.7 million. In addition, we generated an additional $2.6 million from the sale of an investment accounted for at cost. All of the above was offset by the purchase of approximately $4.5 million of property and equipment. Purchase of property and equipment in 2009 decreased by approximately $9.8 million compared to 2008, due to reduced purchases which resulted from lower revenues derived from network installations.

Financing activities. Cash used in financing activities was approximately $11 million, primarily from the repayment of a long term loan of $4.3 million and a short term bank credit of $6.5 million.

C. Research and Development

We devote significant resources to research and development projects designed to enhance our VSAT, Satcom-On-The-Move antennas and SSPA products, to expand the applications for which they can be used and to develop new products. We intend to continue to devote research and development resources to complete development of certain features, to improve functionality, including supporting higher throughput, to improve space segment utilization, and to reduce the cost of our products.

Following the acquisition of RAS and Wavestream, our research and development activities have expanded to include facilities in Bulgaria and San Dimas, California. The Bulgarian center is dedicated to developments related to our Satcom-On-The-Move antennas and Wavestream's facilities are focused on the continuing design and development for SSPAs.

We devoted significant research and development resources in 2010, 2009 and 2008 to the development of our SkyEdge family of products. We develop our own network software and software for our VSATs. Our resources in 2010 were also used for the newly acquired family of products from Raysat and Wavestream.

We generally license our software and third party software to customers as an incidental part of the sale of our network products and services.

Our software and our internally developed hardware are proprietary and we have implemented protective measures both of a legal and practical nature. We have obtained and registered patents in the United States and in various other countries in which we offer our products and services. We rely upon the copyright laws to protect against unauthorized copying of the object code of our software and upon copyright and trade secret laws for the protection of the source code of our software. We derive additional protection for our software by licensing only the object code to customers and keeping the source code confidential. In addition, we enter into confidentiality agreements with our customers and other business partners to protect our software technology and trade secrets. We have also made copyright, trademark and service mark registrations in the United States and abroad for additional protection of our intellectual property. Despite all of these measures, it is possible that competitors could copy certain aspects of our technology or obtain information that we regard as a trade secret in violation of our legal rights.

In accordance with an agreement entered in 2001 with the Chief Scientist, we are eligible to participate in a program under which we can receive future research and development grants for generic research and development projects in Israel without any royalty repayment obligations.

The following table sets forth, for the years indicated, our gross research and development expenditures, the portion of such expenditures which was funded by non-royalty bearing grants and the net cost of our research and development activities:

	Years ended December 31,		
	2010	2009	2008
	(U.S. dollars in thousands)		
Gross research and development costs	22,194	16,281	18,702
Less:			
Non-royalty-bearing grants	3,249	2,311	1,760
Research and development costs - net.	18,945	13,970	16,942

D. Trend Information

The satellite communications industry is moving toward Ka technology, to employ multi-beam transmission for more efficient use of space segment. We believe that development of products using this technology will be an important competitive factor in the VSAT market. We are continuing our efforts to enhance our current products and develop new ones to support the advantages of this technology.

In the past few years the satellite communications market has experienced increasing competition both from within its sector and from competing communication technologies. Specifically, the expansion of cellular coverage in rural areas worldwide, increased terrestrial infrastructures as well as the advancement of wireless technologies, increases the options for our potential and existing customers. In addition, the number of satellite communications providers in the market has increased and prices of technologies continue to decline. Another development in our industry is the increasing demand for complete solutions which encompass far more than a single platform of a communications solution.

We estimate that the political environment in Israel could continue to prevent certain countries from doing business with us and this, in addition to the increased competition and reduced prices in the telecommunications industry overall, may have adverse effects on our business. Given all of the above, we cannot guarantee or predict what our sales will be, what trends will develop, and if any changes in our business and marketing strategy will be implemented.

E. Off-Balance Sheet Arrangements

At times, we guarantee the performance of our work to some of our customers, primarily government entities. Guarantees are often required for our performance during the installation and operational periods of long-term rural telephony projects such as in Latin America, and for the performance of other projects (government and corporate) throughout the rest of the world. The guarantees typically expire when certain operational milestones are met. In addition, from time to time, we provide corporate guarantees to guarantee the performance of our subsidiaries. No guarantees have ever been exercised against us.

As of December 31, 2010, the aggregate amount of bank guarantees outstanding to secure our various performance obligations was approximately $ 6.1 million, including an aggregate of approximately $ 2.1 million on behalf of our subsidiary in Peru. We have restricted cash of approximately $0.8 million as collateral for these guarantees.

In order to guarantee our performance obligations for our Colombian activities, we purchased insurance from a local insurance company in Colombia. We have provided the insurance company with various corporate guarantees, guaranteeing our performance and our employee salary and benefit costs in excess of approximately $ 36.8 million and $ 7.9 million, respectively.

In addition, we have provided bank guarantees of approximately $ 4.9 million for certain office leases world-wide and have restricted cash of approximately $ 4.6 million as collateral for these guarantees.

We also provided approximately $1 million of other guarantees of as of December 31, 2010 and have restricted cash of approximately $ 0.5 million as collateral for these guarantees.

F. Tabular Disclosure of Contractual Obligations

The following table summarizes our minimum contractual obligations as of December 31, 2010 and the effect we expect them to have on our liquidity and cash flow in future periods:

Contractual Obligations	Payments due by period (in U.S dollars in thousands)				
	Total	2011	2012-2013	2014-2015	2016 and after
Short term bank credit	2,129	2,129	-	-	-
Long-term loans *	46,548	1,346	9,193	9,070	26,939
Convertible subordinated notes	15,219	840	14,379	-	-
Accrued interest related to restructured debt (including $600 thousands of short term accrued expenses)	1,175	600	575	-	-
Capital lease obligations	1,747	970	777	-	-
Operating lease	111,141	28,569	43,775	30,156	8,641
Purchase obligations	18,881	18,881	-	-	-
Other long-term debt	4,049	250	500	3,299	-
Total contractual cash obligations	200,889	53,585	69,199	42,525	35,580

(*) Future interest payments are not included due to variability in interest rates

ITEM 6: DIRECTORS AND SENIOR MANAGEMENT

A. Directors and Senior Management

The following table sets forth the name, age, position(s) and a brief account of the business experience of each of the directors and executive officers:

Name	Age	Position(s)
Amiram Levinberg	55	Chairman of the Board of Directors and Chief Executive Officer
Jaron Lotan	53	Chief Operating Officer
Andreas Georghiou	61	Chief Executive Officer, Spacenet Inc.
Clifton L. Cooke, Jr.	63	President and Chief Executive Officer, Wavestream
Ari Krashin	38	Chief Financial Officer
Haim Benyamini(1)(2)(3)	71	External Director
Jeremy Blank	32	Director
Gilead Halevy	44	Director
Ehud Ganani(3)	58	Director
Leora Meridor(1)(2)(3)	63	External Director
Karen Sarid(1)(2)(3)	60	Director
Izhak Tamir(1)	58	Director

(1) Member of our Audit Committee.

(2) Member of Compensation and Stock Option Committee.

(3) Member of Nominating Committee.

Amiram Levinberg co-founded our company and served as a member of our board of directors since our inception and until April 2004. Since July 18, 2005, Mr. Levinberg has served as our Chairman of the Board and Chief Executive Officer. From July 1995 and until April 15, 2003, he served as our President. Until 2002, Mr. Levinberg also served as our Chief Operations Officer. From 1987 and until July 1995, Mr. Levinberg served as our Vice President of Engineering. From 1977 to 1987, Mr. Levinberg served in a research and development unit of the Israel Defense Forces, where he managed a large research and development project. Mr. Levinberg was awarded the Israel Defense Award in 1988.Mr. Levinberg also serves on the board of directors of Orckit Communications Ltd., a company traded on the NASDAQ Global Market, Cardboard Industries and Kargal, a cardboard manufacturer in Israel. Mr. Levinberg holds a B.Sc. degree in Electrical Engineering and Electronics and a M.Sc. degree in Digital Communications, both from the Technion - Israel Institute of Technology in Haifa.

Jaron Lotan joined Gilat as Chief Operating Officer in April 2010. Mr. Lotan served as the Chairman of Magink Display Technologies Ltd. between 2006 and 2009 and has served as a director since 2009. Mr Lotan served as the Chairman of Negevtech between 2007 and 2008 and has served as the Chairman of Radview (OTC:RDVWF) since 2006. Mr. Lotan was the President and Chief Executive Officer of Tecnomatix Technologies Ltd. (NASDAQ: TCNO) from 2002 and until the sale of Tecnomatix to UGS Corp. in 2005. From 1992 until 2002 Mr. Lotan held various positions at Orbotech Ltd., a leading supplier of AOI and other productivity solutions for the electronics industry. Mr. Lotan's last position with Orbotech was Corporate Executive Vice President for Business and Strategy. Prior to joining Orbotech Ltd., (1984 – 1992) Mr. Lotan co-founded and was Corporate VP Sales & Marketing and General Manager of North America for Rosh Intelligent Systems Inc., a software company offering knowledge based solutions to customer support organizations. Mr. Lotan holds a B.A. in Economics and Mathematics and an M.A. in Economics, both from the Hebrew University in Jerusalem.

Andreas Georghiou has served as the Chief Executive Officer of Spacenet Inc. since August 2006. Prior to joining Spacenet, Mr. Georghiou had been with SES Americom and its predecessor, GE Americom, a unit of GE Capital, for over 20 years in various leadership roles. Immediately prior to joining our company, Mr. Georghiou served as Chief Commercial Officer at SES Americom and prior to that and through July 2005, he served as the Senior Vice President of Business Operations. From 2003 through July 2006, Mr. Georghiou also served as President of Americom Asia Pacific, a regional satellite venture of SES. From 1994 to 2003, Mr. Georghiou served as the Senior Vice President of Sales and Marketing for Global Satellite Services at GE Americom. From 1992 to 1994, Mr. Georghiou served as Americom's Director of Business Development. While at GE Americom, Mr. Georghiou also served as an officer of GE Capital. In addition, Mr. Georghiou held various positions at RCA Corporation including IT Manager, Director of Treasury Planning and Manager of Operations Research, at the David Sarnoff Research Center. Mr. Georghiou is a member of the board of directors of Society of Satellite Professionals International (SSPI) and has served as a member of the Corporate Leadership Advisory Council of the U.S. Chamber of Commerce. Mr. Georghiou holds B.Sc degree from the University of Pennsylvania, and a Masters of Science degree from the Wharton School, where he studied as a Fulbright Scholar.

Clifton L. Cooke, Jr. has served as the President and Chief Executive Officer of Wavestream since January 1, 2009. Mr. Cooke served as Executive Vice President of Kratos Defense and Security Solutions Inc. from June through December of 2008. Prior to its merger with Kratos, Mr. Cooke was President and CEO of SYS Technologies Inc. from June 2003 through June 2008. SYS was a provider of information connectivity solutions that capture, analyze and present real-time information to the Department of Defense (DoD), Department of Homeland Security, other government agencies and large industrial companies. Mr. Cooke also served on the Board of Directors of SYS during that period. Previously, Mr. Cooke was founder and CEO of VisiCom Laboratories Inc., which provided embedded real-time products and services to industry and government customers. Following VisiCom's acquisition by Titan Corporation, Mr. Cooke served as Executive Vice President. Prior to starting VisiCom in 1988, Mr. Cooke was founder and CEO of Advanced Digital Systems Inc., which provided engineering services for DoD satellite programs. Mr. Cooke received his bachelor's degree in Applied Physics and Information Science from the University of California, San Diego in 1971.

Ari Krashin has served as our Chief Financial Officer since June 2008. Mr. Krashin joined our company in April 2000 and served in various positions in our company since then. He has also served as the Chief Financial Officer of Spacenet since August 2010. From 2005 to June 2008 Mr. Krashin served as our Financial Director. Before joining our company and from 1999, Mr. Krashin served as a chartered public accountant for Kesselman & Kesselman, PriceWaterhouseCooper's Israel office. Mr. Krashin is a chartered public accountant and holds a B.A. degree in Business Administration and Accounting from the College of Management.

Haim Benyamini has served on our board of directors as an external director (within the meaning of the Israeli Companies Law) since February 2005. Mr. Benyamini currently also serves on the board of directors of Orbotech Ltd. (NASDAQ: ORBK). Mr. Benyamini served as an advisor to the chief executive officer, board and management of Teva Pharmaceutical Industries Ltd.,or Teva, from January 2005 until January 2009. Mr. Benyamini served as the Corporate Vice President of Human Resources of Teva from 1988 until December 31, 2004. From 1982 to 1988, Mr. Benyamini served as the Corporate Vice President of Human Resources at Scitex Corporation. Mr. Benyamini served as a guest lecturer at Tel Aviv University from 1997 to 2003 as part of the Masters of Arts program in Labor Studies. Mr. Benyamini holds a M.A. degree in Organizational Behavior from the University of Chicago and a B.A degree in Social Sciences, Sociology and Political Science from the Hebrew University of Jerusalem. Mr. Benyamini is a Brigadier General (Ret) in the Israel Defense Forces and served in various command staff and training roles from 1957 until 1982.

Jeremy Blank has served on our board of directors since July 2005. Mr. Blank is a partner and senior managing director within York Capital Management ("York"). York is a private investment fund based in New York with approximately $16 billion in assets under management. York was founded in 1991 and specializes in value oriented and event driven equity and credit investments. In addition, Mr. Blank worked as a vice president within Morgan Stanley's fixed income department and earlier in his career in Morgan Stanley's mergers and acquisitions department. Mr. Blank graduated from Yeshiva University in New York City with a Bachelor's degree in Finance. Mr. Blank has served on our board since July, 2005.

Gilead Halevy has served on our board of directors since January 2011. Mr. Halevy is a founding member and general partner of KCPS Private Equity, a leading Israeli private equity fund associated with KCPS & Company (2007) Ltd. Mr. Halevy is a member of the fund's investment committee. Prior to establishing KCPS Private Equity in January 2006, Mr. Halevy was a Director at Giza Venture Capital from April 2001 to January 2006, where he led investments in communications and information technology companies, and directed Giza's European business activities. Previously, from 1998 to 2001, Mr. Halevy practiced law at White & Case LLP, where he advised in connection with mergers and acquisitions in the Telecom Media and Technology group. Mr. Halevy was also a founding member of the White & Case Israel practice group during that time. From 1993 to 1998, he was a senior associate with Zellermayer & Pelossof, one of Israel's leading commercial law firms, where he advised in connection with public securities, cross-border mergers and acquisitions and private equity transactions. Mr. Halevy currently serves as Chairman at Brand Industries Ltd. (TASE: BRND), Vice Chairman of the Marina Galil Group and a Director at FIS Software Solutions Ltd. Mr. Halevy holds an LL.B. (magna cum laude) and B.A. in Humanities (interdisciplinary course for exceptional students), both from the Hebrew University.

Dr. Ehud Ganani has served on our board of directors since July 2005. Since 2008, Dr. Ganani serves as the chief executive officer and president of Rabintex Industries Ltd. (TASE:RBNT). Rabintex, based in Israel and in Detroit, Michigan, deals with personal protection gear and army vehicles modifications. Dr. Ganani was Chairman of the board of TraceGuard Technologies Inc. (OTCBB:TCGD), a company involved in explosive detection equipment for airports and other security facilities. He served as the chief executive officer of TraceGuard between 2006 and 2008. He was the chairman of the board of Bird Aerosystems Ltd., a private company that develops and supplies anti-missile protection systems for helicopters and fixed wing military and civilian aircrafts, between 2007 and 2010. He has been the chairman of the public committee for Aerospace & Defense & HLS in the Israeli Export Institute. He served as the Chief Executive Officer of Israel Military Industries from 2002-2005. Prior to that, he served in various senior positions in Rafael Armament Development Authority, the last of which was as Vice President of Marketing and Business Development from 1997-2002. Dr. Ganani headed the rocket motors development group in Rafael between 1986 to 2001. He also served as a visiting professor of Chemical Engineering at UC Davis, CA (1984-1985). Dr. Ganani holds a Doctorate of Science in chemical engineering from Washington University, St. Louis, MO (1984) and a Bachelor of Science in Chemical Engineering from the Technion – Israel Institute of Technology in Haifa, Israel (1973).

Dr. Leora (Rubin) Meridor has served on our board of directors as an external director (within the meaning of the Israeli Companies Law) since August 2005**.** Dr. Meridor is a business and financial consultant and serves on the board of directors of Teva Pharmaceutical Industries Ltd., Osem Investment Ltd. and Alrov (Israel) Ltd. Between 2001 and 2004, Dr. Meridor served as chair of the board of directors of Poalim Capital Markets Ltd. and between 2001 and 2005, as chair of the boards of directors of Bezeq International Ltd. and Walla! Communications Ltd. Between 1996 and 2000, Dr. Meridor served as Senior Vice President, Head of Credit and Risk Management Division of the First International Bank. From 1992 to 1996, Dr. Meridor served as Head of Research at the Bank of Israel. Dr. Meridor has a Ph.D in Economics, an M.Sc degree in Mathematics and B.Sc. degree in Mathematics and Physics, all from the Hebrew University of Jerusalem. Dr. Meridor studies include a post doctoral year at Massachusetts Institute of Technology

Karen Sarid has served on our board of directors since July, 2005. Ms. Sarid served from May 2009 until recently as the President and General Manager of Syneron Medical Ltd., a leading aesthetic device company. Immediately prior to May 2009, Ms. Sarid served as the chief operating officer and chief financial officer of Galil Medical Ltd. and as the general manager of Galil Israel. Galil Medical is a medical device company that develops a cryotherapy platform. Ms. Sarid has served as a General Manager of Orex Computed Radiography Ltd., a Kodak Company focusing on advanced radiography systems for the digital x-ray market since September 2000. From September 1999 until September 2000, Ms. Sarid served as Chief Financial Officer and a member of the Board of Directors of Forsoft Ltd., a software solutions provider and a subsidiary of the Formula Group. From 1996 until August 1999, Ms. Sarid was Chief Financial Officer and a member of the Board of Directors of ESC Medical Systems Ltd., a medical laser manufacturer that is traded on the NASDAQ Stock Market. She was Chief Financial Officer of LanOptics Ltd., now known as EZchip Semiconductor Limited (NASDAQ: EZCH) from 1993 through 1996. Ms. Sarid currently serves as a director of EZchip. Ms Sarid also serves as a director of Oridion Ltd (SWXNM: ORIDN). Ms. Sarid received a B.A. in Economics and Accounting from Haifa University, and was awarded the CFO of the Year award in 1998 by the Association of Chief Financial Officers in Israel.

Izhak Tamir has served on our board of directors since July, 2005. Mr. Tamir, a co-founder of Orckit, has been President and a Director of Orckit since its founding in 1990. He currently serves as Chairman of the Board of Orckit. Mr. Tamir served as a Director of Scopus Video Networks from 2005 until 2007. From 1987 until 1989, Mr. Tamir was employed by Comstream Inc. in San Diego, California. From 1985 until 1987, he was vice president of A.T. Communication Channels Ltd., a subsidiary of Bezeq - The Israel Telecommunication Corporation Ltd. From 1978 to 1985, he was a senior engineer in the Israeli Government. Mr. Tamir holds an engineering degree from the Technion – Israel Institute of Technology and an M.B.A. from Tel Aviv University. Mr. Tamir has been chairman of the board of directors of Tikcro Technologies Ltd. since January 2000 and its chief executive officer from August 2003 until December 2007.

B. Compensation of Directors and Officers

The following table sets forth the aggregate compensation paid to or accrued on behalf of all of our directors and officers as a group for the year ended December 31, 2010:

	Salaries, Fees, Directors' Fees, Commissions and Bonuses(1)	Pension, Retirement and Similar Benefits
All directors and officers as a group (24 persons) (2)	$ 3,837,779	$ 719,674

(1) Also includes bonuses and stock option compensation accrued in 2010.
(2) Includes 3 officers that ceased to hold officer positions during 2010.

In accordance with the approval of our shareholders, directors who are not employees (excluding the current chairman of our Board) are entitled to receive annual compensation of NIS 80,000 (currently equivalent to approximately $22,000), and an additional NIS 1,600 (currently equivalent to approximately $450) for each board or committee meeting attended, provided that the board member is a member of such committee. In addition, board members are compensated for telephone participation in board and committee meetings in an amount of 60% of what would be received for physical attendance. All the above amounts are subject to adjustment for changes in the Israeli consumer price index after December 2007 and changes in the amounts payable pursuant to Israeli law from time to time.

Each of our current directors was granted options to purchase 20,000 ordinary shares upon commencement of his or her term as director and at an exercise price equal to the fair market value of the shares on the date of the grant. In addition, at our December 30, 2008 annual general meeting, our shareholders approved a one-time grant to each director then in office of options to purchase 50,000 shares, which vest ratably, each quarter, over a three-year period. The exercise price of the options is $4.00 per share.

As of December 31, 2010, our directors and executive officers as a group, consisting of 21 persons, held options to purchase an aggregate of 1,843,200 ordinary shares, having exercise prices ranging from $4.00 to $79.00. Generally, the options vest over a three-year period. The options will expire between 2011 and 2017. In addition, as of December 31, 2010, our directors and executive officers as a group (21 persons), held 379,938 RSUs and received 190,062 ordinary shares through vested RSUs. All of such options and RSUs were awarded under our Plans. See Item 6E. "Directors, Senior Management and Employees - Share Ownership - Stock Option Plans."

C. Board Practices

Election of Directors

Our Articles of Association provide that our board of directors shall consist of not less than five and not more than nine directors as shall be determined from time to time by a majority vote at the general meeting of our shareholders. Unless resolved otherwise by our shareholders, our board of directors will be comprised of (i) nine directors, if four directors are appointed by beneficial owners of 14% or more of our issued and outstanding ordinary shares (as set forth below), or (ii) seven directors, if fewer than four directors are so appointed by beneficial owners of 14% or more of our ordinary shares.

Pursuant to our Articles of Association, each beneficial owner of 14% or more of our issued and outstanding ordinary shares is entitled to appoint, at each annual general meeting of our shareholders, one member to our board of directors, provided that a total of not more than four directors are so appointed. In the event that more than four qualifying beneficial owners notify us that they desire to appoint a member to our board of directors, only the four shareholders beneficially owning the greatest number of shares shall each be entitled to appoint a member to our board of directors. So long as our ordinary shares are listed for trading on NASDAQ, we may require that any such appointed director qualify as an "independent director" as provided for in the NASDAQ rules then in effect. Our board of directors has the right to remove any such appointed director when the beneficial ownership of the shareholder who appointed such director falls below 14% of our ordinary shares.

Our Articles of Association provide that a majority of the voting power at the annual general meeting of our shareholders will elect the remaining members of the board of directors, including external directors as required under the Companies Law. At any annual general meeting at which directors are appointed pursuant to the preceding paragraph, the calculation of the vote of any beneficial owner who appointed a director pursuant to the preceding paragraph shall not take into consideration, for the purpose of electing the remaining directors, ordinary shares constituting 14% of our issued and outstanding ordinary shares held by such appointing beneficial owner.

Each of our directors (except external directors) serve, subject to early resignation or vacation of office in certain circumstances as set forth in our Articles of Association, until the adjournment of the next annual general meeting of our shareholders next following the general meeting in which such director was elected. The holders of a majority of the voting power represented at a general meeting of our shareholders in person or by proxy will be entitled to (i) remove any director(s), other than external directors and directors appointed by beneficial holders of 14% or more of our issued and outstanding ordinary shares as set forth above, (ii) elect directors instead of directors so removed, or (iii) fill any vacancy, however created, in the board of directors. Our board of directors may also appoint additional directors, whether to fill a vacancy or to expand the board of directors, who will serve until the next general meeting of our shareholders following such appointment.

Directors appointed by beneficial holders of 14% or more of our issued and outstanding ordinary shares may be removed by our Board of Directors when the beneficially ownership of the shareholder who appointed such director falls below 14% of our ordinary shares.

No shareholder beneficially holding 14% or more of our issued and outstanding ordinary shares has exercised it right to appoint a director. On January 31, 2011, our shareholders resolved to increase the size of our Board of Directors to eight members.

Our Articles of Association further provide that the board of directors may delegate all of its powers to committees of the board of directors as it deems appropriate, subject to the provisions of applicable law.

External Directors and Independent Directors

External Directors. Under the Israeli Companies Law, public companies are required to elect two external directors who must meet specified standards of independence. External directors may not have during the two years preceding their appointment, directly or indirectly through a relative, partner, employer or controlled entity, any affiliation with (i) the public company, (ii) those of its shareholders who are controlling shareholders at the time of appointment, or (iii) any entity controlled by the company or by its controlling shareholders. The term "affiliation" includes an employment relationship, a business or professional relationship maintained on a regular basis, control and services as an office holder. No person can serve as an external director if the person's other positions or business creates or may create conflicts of interest with the person's responsibilities as an external director. Until the lapse of two years from termination of office, a company may not engage an external director as an employee or otherwise. If, at the time an external director is to be appointed, all current members of the board of directors are of the same gender, then at least one external director must be of the other gender.

A person is qualified to serve as an external director only if he or she has "accounting and financial expertise" or "professional qualifications," as such terms are defined under regulations promulgated under the Israeli Companies Law. At least one external director must have "accounting and financial expertise." However, Israeli companies listed on certain stock exchanges outside Israel, including The NASDAQ Global Select Market, such as our company, are not required to appoint an external director with "accounting and financial expertise" if a director with accounting and financial expertise who qualifies as an independent director for purposes of audit committee membership under the laws of the foreign country in which the stock exchange is located serves on its board of directors. All of the external directors of such a company must have "professional qualifications." Dr. Leora Meridor, a member of our Audit Committee, is an external director who has accounting and financial expertise.

External directors serve for an initial three-year term, which may be renewed for a second three-year term. Israeli companies listed on certain stock exchanges outside Israel, including the NASDAQ Global Select Market, such as our company, may appoint an external director for additional terms of not more than three years each subject to certain conditions. Such conditions include the determination by the audit committee and board of directors, that in view of the director's professional expertise and special contribution to the company's board of directors and its committees, the appointment of the external director for an additional term is in the best interest of the company. External directors can be removed from office only by the court or by the same special percentage of shareholders that can elect them, and then only if the external directors cease to meet the statutory qualifications with respect to their appointment or if they violate their fiduciary duty to the company. The court may additionally remove external directors from office if they were convicted of certain offenses by a non-Israeli court or are permanently unable to fulfill their position.

If delegated any authority of the board of directors, any committee of the board of directors must include at least one external director. An external director is entitled to compensation as provided in regulations adopted under the Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with such service.

The Companies Law requires external directors to submit to the company, prior to the date of the notice of the general meeting convened to elect the external directors, a declaration stating their compliance with the requirements imposed by Companies Law for the office of external director.

The election of external directors requires the affirmative vote of a majority of the shares voted on in person or by proxy at a meeting of the shareholders, provided that such majority includes at least one-third of the votes of the non-controlling shareholders of the company who are voting on the matter at the meeting (not including abstentions). This approval requirement need not be met if the aggregate shareholdings of those non-controlling shareholders who vote against the election of the external director represents one percent or less of all the voting power of the company. "Controlling" for the purpose of this provision means the ability to direct the acts of the company. Any person holding one half or more of the voting power of the company or of the right to appoint directors or the chief executive officer is presumed to have control of the company. A recent amendment to the Companies Law increased the majority requirement that would be applicable for future election of external directors. See Item 10.C below.

Our board of directors currently has two external directors under Israeli law: Dr. Leora Meridor, who was initially elected to serve as an external director at our special general meeting of shareholders held on August 30, 2005 and was reelected or an additional three year period at our annual general meeting of shareholders held on December 30, 2008; and Mr. Haim Benyamini who was initially elected to serve as an external director at our special general meeting of shareholders held in February 2005 and was reelected for additional three year periods at our special general meeting of shareholders held on May 28, 2008 and at our annual general meeting of shareholders held on January 31, 2011.

Independent Directors. In general, NASDAQ Marketplace Rules require that the board of directors of a NASDAQ-listed company have a majority of independent directors, within the meaning of NASDAQ rules. Our board of directors has determined that five out of the eight members of our board of directors, namely, Messrs. Benyamini, Halevy, Ganani, Dr. Meridor and Ms. Sarid, are independent directors under NASDAQ requirements.

An Israeli company whose shares are publicly traded, may elect to adopt a provision in its articles of association pursuant to which a portion of its board of directors will constitute individuals complying with certain independence criteria prescribed by the Israeli Companies Law. We have not included such a provision in our articles of association since our Board of Directors complies with the independent director requirements of the NASDAQ Marketplace Rules described above.

Committees of the Board of Directors

Audit Committee. Under the Israeli Companies Law, publicly traded companies must establish an audit committee. The audit committee must consist of at least three members, and must include all of the company's external directors. The chairman of the board of directors, any director employed by the company or providing services to the company on a regular basis, any controlling shareholder and any relative of a controlling shareholder may not be a member of the audit committee. An audit committee may not approve an action or a transaction with an officer or director, a transaction in which an officer or director has a personal interest, a transaction with a controlling shareholder and certain other transactions specified in the Companies Law, unless at the time of approval two external directors are serving as members of the audit committee and at least one of the external directors was present at the meeting in which an approval was granted.

In addition, the NASDAQ Marketplace Rules require us to establish an audit committee comprised of at least three members, all of whom must be independent directors, each of whom is financially literate and satisfies the respective "independence" requirements of the Securities and Exchange Commission and NASDAQ and one of whom has accounting or related financial management expertise at senior levels within a company.

Our audit committee assists our Board of Directors in overseeing the accounting and financial reporting processes of our company and audits of our financial statements, including the integrity of our financial statements, compliance with legal and regulatory requirements, our independent registered public accountants' qualifications and independence, the performance of our internal audit function and independent registered public accountants, finding any defects in the business management of our company and proposing to our Board of Directors ways to correct such defects, approving related-party transactions as required by Israeli law, and such other duties as may be directed by our Board of Directors. The audit committee may consult from time to time with our independent auditors and internal auditor with respect to matters involving financial reporting and internal accounting controls.

We have elected to follow Israeli law instead of NASDAQ rules with respect to the composition of our audit committee. Our audit committee consists of Mr. Benyamini, Dr. Meridor, Ms. Sarid and Mr. Tamir. All of the members of our audit committee, except Mr. Itzik Tamir, satisfy the respective "independence" requirements of the Securities and Exchange Commission, NASDAQ and Israeli law for audit committee members. Mr. Tamir does not qualify as an independent director within the meaning of NASDAQ rules. However, our Board of Directors has determined that Mr. Tamir satisfies the independence requirements of the Securities and Exchange Commission and satisfies the requirements of Israeli law for audit committee members. See Item 16G. "Corporate Governance." Our Board of Directors has further determined that Dr. Meridor qualifies to serve as the audit committee's financial expert, as required by the rules of the Securities and Exchange Commission and NASDAQ. The audit committee meets at least once each quarter. Our Board of Directors has further determined that Dr. Meridor qualifies to serve as the audit committee's financial expert, as required by the rules of the Securities and Exchange Commission and NASDAQ. The audit committee meets at least once each quarter.

Compensation and Stock Option Committee. Our Board of Directors has established a compensation committee, which is authorized to determine all compensations issues, including the administration of our option plans, subject to general guidelines determined by our Board of Directors from time to time. The compensation committee also makes recommendations to our board of directors in connection with the terms of employment of our chief executive officer and all other executive officers.

Our compensation and stock option committee consists of Mr. Benyamini, Dr. Meridor and Ms. Sarid. All of the members of our compensation and stock option committee are independent directors, within the meaning of NASDAQ rules. We have elected to follow Israeli law instead of NASDAQ requirements with respect to independent director oversight of executive compensation. See Item 16G. "Corporate Governance."

Nominating Committee. Although we are not required to do so under Israel law, our Board of Directors has established a nominating committee, which is charged with and authorized to recommend nominees for election to the board of directors by our shareholders at the annual general meeting of shareholders. Our nominating committee consists of Mr. Benyamini, Dr. Meridor, Ms. Sarid and Mr. Ganani. All of the members of our nominating committee are independent directors, within the meaning of NASDAQ rules.

Internal Audit

The Israeli Companies Law also requires the board of directors of a public company to appoint an internal auditor nominated by the audit committee. The internal auditor must meet certain statutory requirements of independence. The role of the internal auditor is to examine, among other things, the compliance of the company's conduct with applicable law and orderly business practice. Mr. Daniel Freidman served as our internal auditor until March 31, 2011, at which time he assumed another role in the Company. We intend to replace Mr. Friedman as soon as possible and are actively engaged in a search for that purpose.

Directors' Service Contracts

There are no arrangements or understandings between us or any of our subsidiaries, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their employment or service as directors of our company or any of our subsidiaries.

Approval of Related Party Transactions Under Israeli Law

Fiduciary Duties of Office Holders

The Israeli Companies Law codifies the fiduciary duties that "office holders," including directors and executive officers, owe to a company. An "office holder" is defined in the Israeli Companies Law as a director, general manager, chief business manager, deputy general manager, vice general manager, other manager directly subordinate to the general manager or any other person assuming the responsibilities of any of the foregoing positions without regard to such person's title. An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act at a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to utilize reasonable means to obtain (i) information regarding the business feasibility of a given action brought for his approval or performed by him by virtue of his position and (ii) all other information of importance pertaining to the foregoing actions. The duty of loyalty requires that an office holder act in good faith and for the benefit of the company, including (i) avoiding any conflict of interest between the office holder's position in the company and any other position he holds or his personal affairs, (ii) avoiding any competition with the company's business, (iii) avoiding exploiting any business opportunity of the company in order to receive personal gain for the office holder or others, and (iv) disclosing to the company any information or documents relating to the company's affairs that the office holder has received by virtue of his position as an office holder.

Disclosure of Personal Interests of an Office Holder; Approval of Transactions with Office Holders

The Israeli Companies Law requires that an office holder promptly, and no later than the first board meeting at which such transaction is considered, disclose any personal interest that he or she may have and all related material information known to him or her and any documents in their possession, in connection with any existing or proposed transaction relating to our company. In addition, if the transaction is an extraordinary transaction, that is, a transaction other than in the ordinary course of business, other than on market terms, or likely to have a material impact on the company's profitability, assets or liabilities, the office holder must also disclose any personal interest held by the office holder's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing, or by any corporation in which the office holder or a relative (as such term is described above) is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager.

Under the Israeli Companies Law, all arrangements as to compensation of office holders who are not directors require approval by the board of directors, and exculpation, insurance and indemnification of, or an undertaking to, indemnify an office holder who is not a director requires both board of directors and audit committee approval. The compensation of office holders who are directors must be approved by our Audit Committee, Board of Directors and shareholders, in that order. See also Item 10.B: Companies Law Amendment.

Some transactions, actions and arrangements involving an office holder (or a third party in which an office holder has an interest) must be approved by the board of directors or as otherwise provided for in a company's articles of association, however, a transaction that is adverse to the company's interest may not be approved. In some cases, such a transaction must be approved by the audit committee and by the board of directors itself, and under certain circumstances shareholder approval may be required. A director who has a personal interest in a transaction that is considered at a meeting of the board of directors or the audit committee may not be present during the board of directors or audit committee discussions and may not vote on the transaction, unless the transaction is not an extraordinary transaction or the majority of the members of the board or the audit committee have a personal interest, as the case may be. In the event that the majority of the members of the board of directors or the audit committee have a personal interest, then the approval of the general meeting of shareholders is also required.

Disclosure of Personal Interests of a Controlling Shareholder; Approval of Transactions with Controlling Shareholders

The disclosure requirements that apply to an office holder also apply to a transaction in which a controlling shareholder of the company has a personal interest. The Israeli Companies Law provides that an extraordinary transaction with a controlling shareholder or an extraordinary transaction with another person in whom the controlling shareholder has a personal interest or a transaction with a controlling shareholder or his relative regarding terms of service and employment, must be approved by the audit committee, the board of directors and shareholders in that order. The shareholder approval for such a transaction must include at least one-third of the shareholders who have no personal interest in the transaction who voted on the matter (not including abstentions). The transaction can be approved by shareholders without this one-third approval if the total shareholdings of those shareholders who have no personal interest and voted against the transaction do not represent more than one percent of the voting rights in the company. A recent amendment to the Companies Law has increased the majority required for approval of such transactions. See Item 10.B.

Under the Companies Regulations (Relief from Related Party Transactions), 5760-2000, promulgated under the Israeli Companies Law, as amended, certain extraordinary transactions between a public company and its controlling shareholder(s) do not require shareholder approval. In addition, under such regulations, directors' compensation and employment arrangements in a public company do not require the approval of the shareholders if both the audit committee and the board of directors agree that such arrangements are solely for the benefit of the company or if the directors' compensation does not exceed the maximum amount of compensation for external directors determined by applicable regulations. Also, employment and compensation arrangements for an office holder that is a controlling shareholder of a public company do not require shareholder approval if certain criteria are met. The foregoing exemptions from shareholder approval will not apply if one or more shareholders holding at least 1% of the issued and outstanding share capital of the company or of the company's voting rights, objects to the use of these exemptions provided that such objection is submitted to the company in writing not later than fourteen days from the date of the filing of a report regarding the adoption of such resolution by the company. If such objection is duly and timely submitted, then the transaction or compensation arrangement of the directors will require shareholders' approval as detailed above.

The Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition a person would become a 25% or greater shareholder of the company. This rule does not apply if there is already another 25% or greater shareholder of the company. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition a person would hold greater than a 45% interest in the company, unless there is another shareholder holding more than a 45% interest in the company. These requirements do not apply if (i) in general, the acquisition was made in a private placement that received shareholder approval, (ii) was from a 25% or greater shareholder of the company which resulted in the acquirer becoming a 25% or greater shareholder of the company, if there is not already a 25% or greater shareholder of the company, or (iii) was from a shareholder holding a 45% interest in the company which resulted in the acquirer becoming a holder of a 45% interest in the company if there is not already a 45% or greater shareholder of the company.

If, as a result of an acquisition of shares, a person will hold more than 90% of a public company's outstanding shares or a class of shares, the acquisition must be made by means of a full tender offer for all of the outstanding shares or a class of shares. In such event, if less than 5% of the outstanding shares are not tendered in such full tender offer, all of the outstanding shares or class of shares will be transferred to the acquirer. The Israeli Companies Law provides for appraisal rights if any shareholder files a request in court within three months following the consummation of a full tender offer. If more than 5% of the outstanding shares are not tendered in the tender offer, then the acquirer may not acquire shares in the tender offer that will cause his shareholding to exceed 90% of the outstanding shares.

Exemption, Indemnification and Insurance of Directors and Officers

Under the Israeli Companies Law, a company may not exempt an office holder from liability with respect to a breach of his fiduciary duty, but may exempt in advance an office holder from his liability to the company, in whole or in part, with respect to a breach of his duty of care. However, a company may not exculpate in advance a director from his or her liability to the company with respect to a breach of his duty of care in the event of distributions.

Pursuant to the Companies Law, a company may indemnify an office holder against a monetary liability imposed on him by a court, including in settlement or arbitration proceedings, and against reasonable legal expenses in a civil proceeding or in a criminal proceeding in which the office holder was found to be innocent or in which he was convicted of an offense which does not require proof of a criminal intent. The indemnification of an office holder must be expressly allowed in the articles of association, under which the company may (i) undertake in advance to indemnify its office holders with respect to categories of events that can be foreseen at the time of giving such undertaking and up to an amount determined by the board of directors to be reasonable under the circumstances, or (ii) provide indemnification retroactively at amounts deemed to be reasonable by the board of directors.

A company may also procure insurance of an office holder's liability in consequence of an act performed in the scope of his office, in the following cases: (a) a breach of the duty of care of such office holder, (b) a breach of the fiduciary duty, only if the office holder acted in good faith and had reasonable grounds to believe that such act would not be detrimental to the company, or (c) a monetary obligation imposed on the office holder for the benefit of another person.

A company may not indemnify an office holder against, nor enter into an insurance contract which would provide coverage for, any monetary liability incurred as a result of any of the following

- a breach by the office holder of his fiduciary duty unless the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company;
- a breach by the office holder of his duty of care if such breach was done intentionally or recklessly**;**
- any act or omission done with the intent to derive an illegal personal gain; or
- any fine or penalty levied against the office holder as a result of a criminal offense.

In addition, under the Companies Law, indemnification of, and procurement of insurance coverage for a company's office holders, must be approved by the company's audit committee and board of directors and, in specified circumstances, by the company's shareholders.

Our Articles of Association allow us to exempt any office holder to the maximum extent permitted by law, before or after the occurrence giving rise to such exemption. Our Articles of Association also provide that we may indemnify any office holder, to the maximum extent permitted by law, against any liabilities he or she may incur in such capacity, limited with respect (i) to the categories of events that can be foreseen in advance by our Board of Directors when authorizing such undertaking and (ii) to the amount of such indemnification as determined retroactively by our Board of Directors to be reasonable in the particular circumstances. Similarly, we may also agree to indemnify an office holder for past occurrences, whether or not we are obligated under any agreement to provide such indemnification. Our Articles of Association also allow us to procure insurance covering any past or present officer holder against any liability which he or she may incur in such capacity, to the maximum extent permitted by law. Such insurance may also cover the company for indemnifying such office holder. We have obtained directors' and officers' liability insurance covering our officers and directors and those of our subsidiaries for certain claims. In addition, as of August 30, 2005, we have provided our directors and officers with letters providing them with indemnification to the fullest extent permitted under Israeli law.

D. Employees

As of December 31, 2010, we had approximately 1,280 full-time employees, including 323 employees in engineering, research and development, 516 employees in manufacturing, operations and technical support, 158 employees in marketing and sales, 166 employees in administration and finance and 117 in other departments. Of these employees, 448 employees were based in our facilities in Israel, 394 were employed in the United States, 272 were employed in Latin America and 166 in Asia, the Far East and other parts of the world. These numbers reflect an increase in headcount since December 31, 2009 of 387 employees worldwide. We also utilize temporary employees, as necessary, to supplement our manufacturing and other capabilities.

We believe that our relations with our employees are satisfactory. We and our employees are not parties to any collective bargaining agreements. However, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Manufacturers' Association of Israel) are applicable to all Israeli employees by order of the Israeli Ministry of Labor and Welfare. These provisions principally concern the length of the work day and the work week, minimum wages for workers, contributions to a pension fund, insurance for work-related accidents, procedures for dismissing employees, determination of severance pay and other conditions of employment. The amount and frequency of these adjustments are modified from time to time.

As of December 31, 2009, we had 893 full-time employees, including 150 employees in engineering, research and development, 378 employees in manufacturing, operations and technical support, 134 employees in marketing and sales, 129 employees in administration and finance and 102 in other departments. Of these employees, 351 employees were based in our facilities in Israel, 209 were employed in the United States, 277 were employed in Latin America and 56 in Asia, the Far East and other parts of the world. These numbers reflect a reduction in headcount since December 31, 2008 of 73 employees worldwide.

As of December 31, 2008, we had approximately 966 full-time employees, including 163 employees in engineering, research and development, 426 employees in manufacturing, operations and technical support, 137 employees in marketing and sales, 140 employees in administration and finance and 100 in other departments. Of these employees, 397 employees were based in our facilities in Israel, 233 were employed in the United States, 288 were employed in Latin America and 48 in Asia, the Far East and other parts of the world.

Israeli law generally requires severance pay upon the retirement or death of an employee or termination of employment without due cause. Our ongoing severance obligations are partially funded by making quarterly payments to approved severance funds or insurance policies, with the remainder accrued as a long-term liability in our consolidated financial statements. In addition, Israeli employees and employers are required to pay specified amounts to the National Insurance Institute, which is similar to the U.S. Social Security Administration. Since January 1, 1995, such amounts also include payments for national health insurance. The payments to the National Insurance Institute are approximately 17.45% of wages (up to a specified amount), of which the employee contributes approximately 69% and the employer contributes approximately 31%. The majority of our permanent employees are covered by life and pension insurance policies providing customary benefits to employees, including retirement and severance benefits. For Israeli employees, we contribute 13.33% to 15.83% (depending on the employee) of base wages to such plans and the permanent employees contribute 5% to 7% of base wages.

In Spacenet, we have a savings plan that qualifies under Section 401(k) of the U.S. Internal Revenue Code. We contribute matching contributions to employee contributions in the following amounts: a) for the first 3% of employee contributions, we match the contribution dollar for dollar; and b) for employee contributions over 3% and up to a maximum of 6%, we match the contribution by contributing $0.50 for each dollar contributed by the employee. Matching contributions are invested amongst the 401(k) plan's various investment options in the same proportion as each employee designates for the employee's voluntary contributions. The 2009 year presented us with unusual challenges resulting in a temporary suspension of our matching contributions effective in April 2009. However, effective February 2010, we have reestablished our matching commitment.

Wavestream sponsors a retirement plan for eligible employees. The Wavestream Corporation 401(k) Plan is a Safe Harbor 401(k) Plan and allows eligible employees to defer compensation up to the maximum amount allowed under the current Internal Revenue Code. As a Safe Harbor Plan, Wavestream must make a mandatory contribution to the Plan to satisfy certain nondiscrimination requirements under the Internal Revenue Code. This mandatory contribution is made to all eligible employees. This contribution has historically been 3% annually, an amount designed to meet the criteria for the plan to continue to qualify for Safe Harbor status.

E. Share Ownership

Beneficial Ownership of Executive Officers and Directors

Except for Mr. Amiram Levinberg, none of our directors and executive officers beneficially holds more than 1% of our outstanding shares. Mr. Levinberg beneficially holds 3% of our ordinary shares, comprised of 71,834 ordinary shares and 1,140,000 options to purchase ordinary shares exercisable within 60 days from March 31, 2011

As of December 31, 2010, our directors and executive officers as a group (21 persons) held options to purchase 1,843,200 of our ordinary shares under our stock options plans (described below), exercisable at a weighted average exercise price of $5.44 per share. Out of such options, options to purchase 1,025 ordinary shares expire in 2011, options to purchase 175 ordinary shares expire in 2012, options to purchase 144,000 ordinary expire in 2013, options to purchase 620,000 ordinary expire in 2014, options to purchase 1,068,000 ordinary shares expire in 2015 and options to purchase 10,000 ordinary shares expire in 2017. See Item 7A “Major Shareholders and Related Party Transactions – Major Shareholders.”Stock Option Plans”.

Stock Option Plans

1995 Plans

In June 1995, we adopted the 1995 Stock Option Plan (Incentive and Restricted Stock Options), the 1995 Section 102 Stock Option/Stock Purchase Plan, and the 1995 Advisory Board Stock Option Plan, or the 1995 Plans. The 1995 Plans expired on June 29, 2005.

As of December 31, 2010, we had granted options to purchase a total of 90,027 ordinary shares under the 1995 Plans and options to purchase 50,355 ordinary shares were outstanding. The exercise prices for such options vary from $9.20 to $2,730 and all such options expire at various times from June 2011 to September 2012. As of December 31, 2010, a total of 42,113 options had been exercised under the 1995 Plans.

2003 Stock Option Plan

In September 2003, we adopted the 2003 Stock Option Plan (Incentive and Restricted Stock Options), or the 2003 ISO/RSO Plan and the Section 102 Stock Option Plan 2003, or the 2003 Section 102 Plan and together, the “2003 Plans”. In February 2005, our shareholders increased the pool for the 2003 Plans by 1,135,000 shares and in December 2005, our shareholders further increased the pool by 3,500,000 shares, such that the 2003 Plans provide for the grant of options of up to an aggregate of 6,135,000 ordinary shares to our officers, directors, employees or service providers or any of the employees or service providers of our subsidiaries.

As of December 31, 2010, options to purchase a total of 3,871,200 ordinary shares were outstanding under the 2003 Plan, and options to purchase 1,855,080 ordinary shares had been exercised. The exercise prices for such options vary from $5.00 to $9.82 and such options expire at various times from August 2013 to August 2017.

2005 Stock Incentive Plan

In December 2005, our shareholders adopted the 2005 Stock Incentive Plan, or the 2005 Plan, with a pool of 1.5 million shares. This 2005 Plan is designed to enable the Board of Directors to determine various forms of incentives for all forms of service providers and, when necessary, adopt a sub-plan in order to grant specific incentives. In October 2008, the compensation and stock option committee of the Board of Directors adopted a sub-plan so as to enable qualified optionees certain tax benefits under the Israeli Income Tax Ordinance. Among the incentives that may be adopted are share options, performance share awards, performance share unit awards, RSU awards and other share based awards.

As of December 31, 2010, options to purchase a total of 50,000 ordinary shares were outstanding under the 2005 Plan, none of which had been exercised. The exercise price for such options is $8.11 and such options expire at in August 2013.

During 2008, 2009 and 2010, the compensation and stock option committee of the Board of Directors authorized the grant of RSUs under the 2005 Plan to certain key employees. The entitlement to these shares vest quarterly over a four-year period (15%, 25%, 30%, 30% each year, respectively) so long as the employee remains with our company. As of December 31, 2010, we have granted 1,489,186 RSUs under the 2005 Plan, pursuant to which 585,885 ordinary shares have already been issued.

2008 Stock Incentive Plan

In October 2008, the compensation and stock option committee adopted a new plan, the 2008 Stock Incentive Plan, or the 2008 Plan**,** with a pool of 1 million shares and a sub-plan to enable qualified optionees certain tax benefits under the Israeli Income Tax Ordinance. In October 2010 the compensation and stock option committee approved an increase in the number of shares in the pool of the 2008 Plan to 2 million shares. As of December 31, 2010, options to purchase a total of 600,000 ordinary shares were outstanding under the 2008 Plan, none of which had been exercised. The exercise price for such options is $4.00 and such options expire in December 2014.

During 2008, 2009 and 2010, the compensation and stock option committee of the Board of Directors authorized the grant of RSUs under the 2008 Plan to certain key employees. The entitlement to these shares vest quarterly over a four-year period (15%, 25%, 30%, 30% each year, respectively) so long as the employee remains with our company. As of December 31, 2010, we have granted 615,000 RSUs under the 2008 Plan, pursuant to which 59,868 ordinary shares have already been issued.

The purpose of the 1995, 2003, 2005 and 2008 Plans, referred to together as the Plans is to enable us to attract and retain qualified persons as employees, officers, directors, consultants and advisors and to motivate such persons by providing them with an equity participation in our company. The Section 102 Plans are designed to afford qualified optionees certain tax benefits under the Israel Income Tax Ordinance.

The Plans are administered by the Compensation and Stock Option Committee appointed by our Board of Directors. The Compensation and Stock Option Committee has broad discretion, subject to certain limitations, to determine the persons entitled to receive options, the terms and conditions on which options or rights to purchase are granted and the number of shares subject thereto. The Compensation and Stock Option Committee also has discretion to determine the nature of the consideration to be paid upon the exercise of an option and/or right to purchase granted under the Plans. Such consideration generally may consist of cash or, at the discretion of the Board of Directors, cash and a recourse promissory note.

Stock options issued as incentive stock options pursuant to the Plans will only be granted to the employees (including directors and officers) of our company or its subsidiaries. The exercise price of incentive stock options issued pursuant to the ISO/RSO Plan must be at least equal to the fair market value of the ordinary shares as of the date of the grant (and, in the case of optionees who own more than 10% of the voting stock, the exercise price must equal at least 110% of the fair market value of the ordinary shares as of the date of the grant).

Options are exercisable and restrictions on disposition of shares lapse according to the terms of the individual agreements under which such options were granted or shares issued.

ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth certain information with respect to the beneficial ownership of our ordinary shares as of March 31, 2011 (including options currently exercisable or exercisable within 60 days and RSU's vested within 60 days, of March 31, 2011) with respect to: (i) each person who is believed by us to be the beneficial owner of more than 5% of the ordinary shares; and (ii) all directors and officers as a group.

The information in the table below is based on 40,817,788 ordinary shares outstanding as of March 31, 2011. Except where otherwise indicated, we believe, based on information furnished by the owners, that the beneficial owners of the ordinary shares listed below have sole investment and voting power with respect to such shares, subject to any applicable community property laws.

Name and Address	Number of Ordinary Shares Beneficially Owned	Percent of Ordinary Shares Outstanding
York Capital Management(1)	8,121,651	19.9%
Menora Mivtachim Holdings Ltd. (2)	4,214,560	10.3%
Mivtach Shamir Finance Ltd. (3)	2,216,945	5.4%
All officers and directors as a group (21 persons)(4)	**1,857,804**	**4.6%**

(1) Based on a Schedule 13D/A filed on April 12, 2010, the shares are directly owned by or allocated for the benefit of (i) York Capital Management, L.P., a Delaware limited partnership; (ii) York Investment Master Fund, L.P., a Cayman Islands exempted limited partnership; (iii) York Credit Opportunities Fund, L.P., a Delaware limited partnership; and (iv) York Credit Opportunities Master Fund, L.P., a Cayman Islands exempted limited partnership. These four entities are part of a family of pooled investment vehicles managed by JGD Management Corp., a Delaware corporation doing business as York Capital Management. The sole shareholder of JGD is James G. Dinan. Dinan Management is the general partner of York Capital Management L.P. and James G. Dinan and Daniel A. Schwartz are the controlling members of Dinan Management. York Offshore Limited is the investment manager of York Investment Limited. The controlling principal of York Offshore Limited is James G. Dinan. Daniel A. Schwartz is a director of York Offshore Limited. York Credit Opportunities Domestic Holdings is the general partner of York Credit Opportunities. James G. Dinan and Daniel A. Schwartz are the controlling members of York Credit Opportunities Domestic Holdings. The principal business address of each of these entities and individuals is c/o York Capital Management, 767 Fifth Avenue, 17th Floor, New York, New York, 10153.

(2) Based on Schedule 13D/A filed on August 9, 2010, the 4,214,560 shares reported in the Schedule as beneficially owned by Menora Mivtachim Holdings Ltd., are held for members of the public through, among others, provident funds, mutual funds, pension funds and insurance policies, which are managed by Menora Mivtachim Insurance Ltd., Menora Mivtachim Pensions Ltd., Menora Mivtachim Finance Ltd., Menora Mivtachim Gemel Ltd. and Menora Mivtachim Mutual Funds Ltd., all of which are wholly-owned subsidiaries of Menora Mivtachim Holdings Ltd., each of which operates under independent management and makes independent voting and investment decisions. The address of Menora Mivtachim Holdings Ltd., is Menora House 115 Allenby Street, Tel Aviv 61008, Israel.

(3) Based on a Schedule 13D filed on July 28, 2005. Mr. Meir Shamir and Ashtrom Industries Ltd. share voting and dispositive power with respect to the shares held by Mivtach Shamir Holdings Ltd. The address of Mivtach Shamir Holdings Ltd. is Beit Sharvat, 4 Kaufman St., Tel Aviv 68012, Israel.

(4) Includes options that are currently exercisable or are exercisable within 60 days that are held by our directors and executive officers.

Significant Changes in the Ownership of Major Shareholders

As of December 31, 2008, our major shareholders were York, holding 8,070,563 shares (approximately 20% ownership), and Mivtach Shamir Finance Ltd., holding 2,216,945 shares (approximately 5% ownership). As of March 15, 2010, our major shareholders were York, holding 8,121,651 shares (approximately 20% ownership), Mivtach Shamir Finance Ltd., holding 2,216,945 shares (approximately 5 % ownership), Renaissance Technologies LLC holding 2,041,600 (approximately 5% ownership), and Menora Mivtachim Holdings Ltd. holding 2,047,701(approximately 5 % ownership). As of March 31, 2011, our major shareholders are York, holding 8,121,651 shares (approximately 20.1% ownership), Menora Mivtachim Holdings Ltd. holding 4,214,560 (approximately 10.4 % ownership) and Mivtach Shamir Finance Ltd., holding 2,216,945 shares (approximately 5.5 % ownership).

Major Shareholders Voting Rights

The voting rights of our major shareholders do not differ from the voting rights of other holders of our ordinary shares, except to the extent that they hold more than 14% and as such, they will have a right to appoint a director, subject to certain conditions set forth in our Articles of Association.

Record Holders

Based on a review of the information provided to us by our transfer agent, as of March 31, 2011, there were 81 holders of record of our ordinary shares, of which 63 record holders holding approximately 95.5% of our ordinary shares had registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our shares nor is it representative of where such beneficial holders reside since many of these ordinary shares were held of record by brokers or other nominees, including CEDE & Co., the nominee for the Depositary Company (the central depositary for the U.S. brokerage community), which held approximately 76% of our outstanding ordinary shares as of said date.

B. Related Party Transactions.

On May 31, 2009, we entered into a registration rights agreement with York Capital Management, or York, under which we agreed to register 8,121,651 ordinary shares held by York for disposition by York from time to time. On July 20, 2009, we filed a Form F-3 registration statement for the disposition of such shares from time to time.

C. Interests of Experts and Counsel.

Not applicable.

ITEM 8: FINANCIAL INFORMATION

A. Consolidated Statements

See the consolidated financial statements, including the notes thereto, and the exhibits listed in Item 18 hereof and incorporated herein by this reference.

Export Sales

For information on our revenues breakdown for the past three years, see Item 5: "Operating and Financial Review and Prospects."

Legal Proceedings

We are a party to various legal proceedings incident to our business. Except as noted below, there are no material legal proceedings pending or, to our knowledge, threatened against us or our subsidiaries, and we are not involved in any legal proceedings that our management believes, individually or in the aggregate, would have a material adverse effect on our business, financial condition or operating results.

In December 2010, a lawsuit was filed against us in the Superior Court in Orange County, California by STM Group Inc. and Emil Youssefzadeh claiming damages for tortuous interference with contract and defamation for alleged actions in Peru. The complaint seeks damages of approximately $6 million in connection with the contract claim by STM Group, an unstated amount by Mr. Youssefzadeh, and exemplary damages and costs. The action was removed to the US District Court for the Central District of California and in March 2011, we moved to dismiss the complaint on several grounds. Although we believe the claims to be without merit, we cannot assess the likelihood of success because of the early stage of the litigation. We intend to use all legal means necessary to protect and defend our company.

In August 2010, we announced the settlement of lawsuits that we had filed in November 2008 against Mivtach Shamir Holdings Ltd., LR Group Ltd., Gores Capital Partners II, L.P, and DGB Investments, Inc., in connection with the termination of the merger agreement dated March 31, 2008, pursuant to which we were to be acquired by a consortium of private equity investors. The lawsuits were filed based on guarantees delivered by each of the defendants to cover their respective portion of the total amount of approximately $47 million that we claimed as due for the wrongful termination. The settlement agreements resulted in the termination of all court proceedings filed by us against each of the defendants, as well as in general mutual waivers and releases provided by all parties. Under the terms of the settlement agreements, the defendants will pay Gilat an aggregate of approximately $20 million, over half of which has already been paid, with the remainder to be paid in annual installments ending in October 2013. The settlement agreements were reached through mediation proceedings that began in 2009.

In November 2009, a lawsuit was filed in the central district court in Israel by eight individuals and Israeli companies against our company, all of our directors and our 20% shareholder, York Capital Management and its affiliates. The plaintiffs claim damages based on the amounts they would have been paid had the merger agreement signed on March 31, 2008 closed. The lawsuit, seeking damages of approximately $12.4 million, is similar to the lawsuit and motion for its approval as a class action proceeding previously filed by the same group of Israeli shareholders in October 2008. That lawsuit and motion were withdrawn by the plaintiffs in July 2009 at the recommendation of the court, which questioned the basis for the lawsuit. We and our outside legal counsel believe the claims in this 2009 action are completely without merit, and that the lawsuit is without basis. We intend to use all legal means necessary to protect and defend our company and its directors.

In September 2003, Nova Mobilcom S.A., or Mobilcom, filed a lawsuit against Gilat do Brazil for specific performance of a memorandum of understanding, which provided for the sale of Gilat do Brazil, and specifically the GESAC project, a government education project awarded to Gilat do Brazil, to Mobilcom for an unspecified amount. Gilat do Brazil does not believe that this claim has any merit and is vigorously defending itself against the claims presented therein.

The Brazilian tax authority filed a claim against a subsidiary of Spacenet Inc. in Brazil, for alleged taxes due of approximately $4 million. In January 2004 and December 2005, the subsidiary filed its administrative defense, which was denied by the first and second level courts, respectively. In September 2006, the subsidiary filed an annulment action seeking judicial cancellation of the claim. In May 2009, the subsidiary received notice of the court's first level decision, which cancelled a significant part of the claim but, upheld two items of the assessment. Under this new decision, the subsidiary's liability was reduced to approximately $1.5 million. This decision was appealed by both the subsidiary and the State tax authorities and is pending review by the São Paulo Court of Appeals. As of December 31, 2010, the subsidiary faces a total tax exposure of approximately $10 million, which reflects an increase of the original sum claimed by the Brazilian tax authority, due to interest and exchange rate differences.

We are also a party to various regulatory proceedings incident to our business. To the knowledge of our management, none of such proceedings is material to us or to our subsidiaries.

Dividend Policy

We have never paid cash dividends on our ordinary shares and do not anticipate paying any cash dividends in the foreseeable future. We have decided to reinvest permanently the amount of tax-exempt income derived from our "Approved Enterprises" or "Benefited Enterprise" and not to distribute such income as dividends. See Notes 8 and 11 to the consolidated financial statements included in this annual report on Form 20-F. In addition, the terms of some of our financing arrangements restrict us from paying dividends to our shareholders.

According to the Israeli Companies Law, a company may distribute dividends out of its profits provided that there is no reasonable concern that such dividend distribution will prevent the company from paying all its current and foreseeable obligations, as they become due. Notwithstanding the foregoing, dividends may be paid with the approval of a court, provided that there is no reasonable concern that such dividend distribution will prevent the company from satisfying its current and foreseeable obligations, as they become due. Profits, for purposes of the Israeli Companies Law, means the greater of retained earnings or earnings accumulated during the preceding two years, after deducting previous distributions that were not deducted from the surpluses. In the event we declare dividends in the future, we will pay those dividends in NIS. Because exchange rates between NIS and the dollar fluctuate continuously, a U.S. shareholder will be subject to currency fluctuation between the date when the dividends are declared and the date the dividends are paid.

B. Significant Changes

Not applicable.

ITEM 9: THE OFFER AND LISTING

A. Offer and Listing Details

Annual Share Price Information

The following table sets forth, each of the years indicated, the high and low market prices of our ordinary shares on the NASDAQ Global Market and the Tel Aviv Stock Exchange. In January 2011, our ordinary shares started trading on the NASDAQ Global Select Market.

	NASDAQ		Tel Aviv Stock Exchange	
Year	High	Low	High	Low
2006	$ 10.01	$ 5.59	$ 9.93	$ 5.44
2007	$ 11.18	$ 7.89	$ 11.14	$ 7.67
2008	$ 11.15	$ 2.20	$ 11.31	$ 2.22
2009	$ 4.98	$ 2.69	$ 5.20	$ 2.75
2010	$ 6.25	$ 3.96	$ 6.25	$ 3.99

Quarterly Share Price Information

The following table sets forth, for each of the full financial quarters in the years indicated the high and low market prices of our ordinary shares on the NASDAQ Global Market (as of January 2011, on the Global Select Market) and the Tel -Aviv Stock Exchange:

	NASDAQ		Tel Aviv Stock Exchange	
	High	Low	High	Low
2009				
First quarter	$ 3.79	$ 2.69	$ 3.84	$ 2.75
Second quarter	$ 4.53	$ 3.20	$ 4.44	$ 3.23
Third quarter	$ 4.98	$ 4.05	$ 5.20	$ 4.10
Fourth quarter	$ 4.80	$ 4.15	$ 4.89	$ 4.17
2010				
First quarter	$ 5.97	$ 4.94	$ 5.97	$ 4.73
Second quarter	$ 6.25	$ 3.96	$ 6.25	$ 3.99
Third quarter	$ 6.01	$ 4.67	$ 6.03	$ 4.68
Fourth quarter	$ 5.90	$ 4.83	$ 6.00	$ 4.72

Monthly Share Price Information

The following table sets forth, for the most recent six months, the high and low market prices of our ordinary shares on the NASDAQ Global Select Market (as of January 2011, on the Global Select Market) and the Tel Aviv Stock Exchange:

	NASDAQ		Tel Aviv Stock Exchange	
	High	Low	High	Low
October 2010	$ 5.90	$ 5.26	$ 6.00	$ 5.33
November 2010	$ 5.33	$ 4.83	$ 5.39	$ 4.72
December 2010	$ 5.24	$ 4.90	$ 5.34	$ 4.88
January 2011	$ 5.85	$ 5.10	$ 5.85	$ 5.05
February 2011	$ 5.42	$ 5.15	$ 5.59	$ 5.22
March 2011	$ 5.34	$ 4.73	$ 5.36	$ 4.77
April 2011 (through April 11)	$ 5.29	$ 5.03	$ 5.22	$ 5.00

B. Plan of Distribution

Not applicable.

C. Markets

Our ordinary shares are listed on the NASDAQ Global Select Market under the symbol "GILT" and are also traded on the Tel Aviv Stock Exchange.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expense of the Issue

Not applicable.

ITEM 10: ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Set out below is a description of certain provisions of our Articles of Association and of the Israeli Companies Law related to such provisions. This description is only a summary and does not purport to be complete and is qualified by reference to the full text of the Articles of Association, which are incorporated by reference as exhibits to this annual report, and to Israeli law.

Registration and Purposes

We are an Israeli public company registered with the Israel companies register, registration No. 52-003893-6.

Under the Companies Law, a company may define its purposes as to engage in any lawful business and may broaden the scope of its purposes to the grant of reasonable donations for any proper charitable cause, even if the basis for any such donation is not dependent upon business considerations. Article 3A of our Articles of Association provides that our purpose is to engage in any business permitted by law and that we can also grant reasonable donations for any proper charitable cause.

Powers of the Directors

Under the provisions of the Israeli Companies Law and our articles of association, a director cannot vote on a proposal, arrangement or contract in which he or she is materially interested, nor attend a meeting during which such transaction is considered. In addition, our directors cannot vote compensation to themselves or any members of their body without the approval of our audit committee and our shareholders at a general meeting. The requirements for approval of certain transactions are set forth above in Item 6C. "Directors, Senior Management and Employees – Board Practices – Approval of Related Party Transactions Under Israeli Law."

Rights Attached to Ordinary Shares

Our authorized share capital consists of 60,000,000 ordinary shares, nominal value NIS 0.2 per share. All outstanding ordinary shares are validly issued and fully paid. Certain rights attached to the ordinary shares are as described below.

Voting Rights. Holders of ordinary shares have one vote for each ordinary share held on all matters submitted to a vote of shareholders. Shareholders may vote in person or by proxy. These voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights that may be authorized in the future. Under our articles of association, most decisions may be approved by a simple majority.

Dividend and Liquidation Rights; Rights to Shares in our Company's Profits. Our ordinary shares are entitled to the full amount of any cash or share dividend declared, in proportion to the paid up nominal value of their respective holdings. In the event of liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to the paid up nominal value of their respective holdings. Such rights may be affected by the grant of preferential dividend or distribution rights to the holders of a class of shares with preferential rights that may be authorized in the future by the shareholders.

Generally, pursuant to the Israeli Companies Law, the decision to distribute dividends and the amount to be distributed, whether interim or final, is made by the board of directors. Accordingly, under Article 52 of our Articles of Association, our Board of Directors has the authority to determine the amount and time for payment of interim dividends and final dividends.

Under the Israeli Companies Law, dividends may be paid only out of a company's net profits for the two years preceding the distribution of the dividends, or from accumulated retained earnings, calculated in the manner prescribed in the Israeli Companies Law. Pursuant to the Israeli Companies Law, in any distribution of dividends, our Board of Directors is required to determine that there is no reasonable concern that the distribution of dividends will prevent us from meeting our existing and foreseeable obligations as they become due. Our Articles of Association provide that no dividends shall be paid otherwise than out of our profits and that any such dividend shall carry no interest. In addition, upon the recommendation of our Board of Directors, approved by the shareholders, we may cause dividends to be paid in kind.

Our shareholders have the right to share in our profits distributed as a dividend and any other permitted distribution, if any.

Annual and Special General Meetings

Record Date for General Meeting

Under the regulations promulgated under the Israeli Companies Law, for the purpose of a shareholder vote, the record date for companies traded outside of Israel, such as our company, can be set between four and 40 days before the date of the meeting.

Notice of General Meetings; Omission to Give Notice

The Companies Law provides that a company whose shares are traded on an exchange must give notice of a general meeting to its shareholders of record at least 21 and in certain instances up to 35 days prior to the meeting, unless the company's articles provide that a notice need not be sent. Accordingly, Article 25(a) of our Articles of Association provides that not less than 21 days' prior notice shall be given to shareholders of record of every general meeting of shareholders. It further provides that notice of a general meeting of shareholders shall be given in accordance with any law and otherwise as the Board of Directors may determine. In addition, Article 25(c) of our Articles of Association provides that no shareholder present, in person or by proxy, at the commencement of a general meeting of shareholders shall be entitled to seek the revocation of any proceedings or resolutions adopted at such general meeting of shareholders on grounds of any defect in the notice of such meeting relating to the time or the place thereof.

Annual General Meetings and Special General Meetings

Under the Israeli Companies Law, an annual meeting of the shareholders should be held once in every calendar year and not more than 15 months from the last annual meeting. The Israeli Companies Law provides that a special meeting of shareholders must be called by the board of directors upon the written request of (i) two directors, (ii) one-fourth of the serving directors, (iii) one or more shareholders who hold(s) at least five percent of the issued share capital and at least one percent of the voting power of the company, or (iv) one or more shareholders who have at least five percent of the voting power of the company. Within 21 days of receipt of such demand, the board of directors is required to convene the special meeting for a time not later than 35 days after notice has been given to the shareholders. Article 24 of our Articles of Association provides that our Board of Directors may call a special meeting of the shareholders at any time and shall be obligated to call a special meeting as specified above.

Quorum at General Meetings

Under Article 26(b) of our Articles of Association, the required quorum for any general meeting of shareholders and for any class meeting is two or more shareholders present in person or by proxy and holding at least twenty five percent (25%) of the issued shares (or of the issued shares of such class in the event of a class meeting). The required quorum in a meeting that was adjourned because a quorum was not present, shall be two shareholders present in person or by proxy. Under Article 26(c) of our Articles of Association, if the original meeting was called as a special meeting, the quorum in the adjourned meeting shall be one or more shareholders, present in person or by proxy and holding the number of shares required to call such a meeting.

Adoption of Resolutions at General Meetings

Article 28(b) of our Articles of Association provides for voting by a written ballot only. In addition, Article 28(c), in accordance with the Companies Law, provides that the declaration of the Chairman of the Meeting as to the results of a vote is not considered to be conclusive, but rather prima facie evidence of the fact. Under our Articles of Association, any resolution of the shareholders, except a resolution for a voluntary liquidation of the company and, in certain circumstances, a resolution to amend our Articles of Association, shall be deemed adopted if approved by the vote of the holders of a majority of the voting power represented at such meeting in person or by proxy.

Election and Removal of Directors

Under our Articles, the ordinary shares do not have cumulative voting rights in the election of directors.

Under our Articles of Association, our Board of Directors shall consist of not less than five and not more than nine directors as shall be determined from time to time by a majority vote at the general meeting of our shareholders. Unless resolved otherwise, our Board of Directors is be comprised of nine directors, if four directors are appointed by beneficial owners of 14% or more of our issued and outstanding ordinary shares as set forth below, or seven directors, if fewer than four directors are appointed by beneficial owners of 14% or more of our issued and outstanding ordinary shares as set forth below.

Our Articles further provide that each beneficial owner of 14% or more of our issued and outstanding ordinary shares shall be entitled to appoint, at each annual general meeting of our shareholders, one member to our Board of Directors referred to as Appointed Director, provided that a total of not more than four Appointed Directors are so appointed. In the event more than four such qualifying beneficial owners notify us that they desire to appoint an Appointed Director, only the four shareholders beneficially owning the greatest number of shares shall each be entitled to appoint an Appointed Director.

For the purposes of the preceding paragraph, a "beneficial owner" of ordinary shares means any person or entity who, directly or indirectly, has the power to vote, or to direct the voting of, such ordinary shares. All ordinary shares beneficially owned by a person or entity, regardless of the form which such beneficial ownership takes, shall be aggregated in calculating the number of ordinary shares beneficially owned by such person or entity. All persons and entities that are affiliates (as defined below) of each other shall be deemed to be one person or entity for the purposes of this definition. For the purposes of the preceding paragraph, an "affiliate" means, with respect to any person or entity, any other person or entity controlling, controlled by, or under common control with such person or entity. "Control" shall have the meaning ascribed to it in the Israeli Securities Law – 1968, i.e., the ability to direct the acts of a company. Any person holding one half or more of the voting power of a company of the right to appoint directors or to appoint the chief executive officer is presumed to have control of the company.

The Articles further stipulate that as a condition to the appointment of an Appointed Director, any appointing shareholder that delivers to our company a letter of appointment shall, prior to such delivery, be required to file with the SEC a Schedule 13D, or an amendment to its Schedule 13D if there is any change in the facts set forth in its Schedule 13D already on file with the SEC which discloses any such change in its holdings of ordinary shares, regardless of whether any filing or amendment is required to be filed under the rules of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. In addition, any Appointing Shareholder shall be obligated to notify us in writing of any sale, transfer, assignment or other disposition of any kind of ordinary shares by such appointing shareholder that results in the reduction of its beneficial ownership to below the percentage indicated above, immediately after the occurrence of such disposition of shares but in any event not later than the earliest of (i) ten (10) days thereafter, or (ii) the next Annual General Meeting. Without derogating from the foregoing, so long as an Appointed Director serves on the Board of Directors, the appointing shareholder which appointed such Appointed Director shall provide us, upon our written request at any time and from time to time, with reasonable evidence of its beneficial ownership in the our company.

Under our Articles of Association, so long as our ordinary shares are listed for trading on NASDAQ, we may require that any Appointed Director qualify as an "independent director" as provided for in the NASDAQ rules then in effect. In addition, in no event may a person become an Appointed Director unless such person does not, at the time of appointment, and did not, within two years prior thereto, engage, directly or indirectly, in any activity which competes with us, whether as a director, officer, employee, contractor, consultant, partner or otherwise.

Under our Articles of Association, the annual general meeting of our shareholders, by the vote of the holders of a majority of the voting power represented at such meeting in person or by proxy, will elect the remaining members of the Board of Directors. At any annual general meeting at which Appointed Directors are appointed as set forth above, the calculation of the vote of any beneficial owner who appointed a director pursuant to the preceding paragraph shall not take into consideration, for the purpose of electing the remaining directors, ordinary shares constituting 14% of our issued and outstanding ordinary shares held by such appointing beneficial owner.

Appointed Directors may be removed by our Board of Directors when the beneficial ownership of the shareholder who appointed such Appointed Director falls below 14% of our ordinary shares. In addition, the office of an Appointed Director will expire upon the removal of the Appointed Director by the shareholder who appointed such Appointed Director or when the Appointed Director ceases to qualify as an "independent director" as set forth above.

Article 39 of our Articles of Association further provides that the affirmative vote of a majority of the shares then represented at a general meeting of shareholders shall be entitled to remove director(s) other than Appointed Directors from office (unless pursuant to circumstances or events prescribed under the Companies Law), to elect directors instead of directors so removed or to fill any vacancy, however created, in the Board of Directors. Subject to the foregoing and to early resignation or ipso facto termination of office as provided in Article 42 of our Articles of Association, each director shall serve until the adjournment of the of the annual general meeting next following the general meeting at which such director was elected.

Our directors may, at any time and from time to time, appoint a director to temporarily fill a vacancy on the Board of Directors or in addition to their body (subject to the maximum number of directors in the Board of Directors as set forth above), except that if the number of directors then in office constitutes less than a majority of the number provided for entire board of directors, as set forth above, they may only act in an emergency, or to fill the vacancy up to the minimum number required to effect corporate action or in order to call a general meeting for the purpose of electing directors.

Qualification of Directors

Article 40 of our Articles of Association provides that no person shall be disqualified to serve as a director by reason of him not holding shares in our company or by reason of him having served as director in the past. Our directors are not subject under the Israeli Companies Law or our Articles of Association to an age limit requirement. Under the Companies Law, a person cannot serve as a director if he has been convicted of certain offenses, unless specifically authorized by the court, or if he has been declared bankrupt.

Borrowing Powers

The Israeli Companies Law authorizes the board of directors of a company, among other things, to determine the credit limit of a company and to issue bonds. Article 35(b) of our Articles of Association states that our Board of Directors may, from time to time, at its discretion, cause us to borrow or secure the payment of any sum or sums of money, and may secure or provide for the repayment of such sum or sums in such manner, at such times and upon such terms and conditions as it deems fit.

Foreign Ownership

Neither our Articles of Association nor Israeli law restrict in any way the ownership of our ordinary shares by nonresidents of Israel, or restrict the voting or other rights of nonresidents of Israel. Notwithstanding, under Israeli law, nationals of certain countries that are, or have been, in a state of war with Israel may not be recognized as owners of ordinary shares, without a special government permit.

Anti-Takeover Provisions Under Israeli Law

The Israeli Companies Law provides that an acquisition of shares in our company must be made by means of a tender offer, if, as a result of the acquisition, the purchaser would become a holder of 25% or more of the voting rights in our company. This rule does not apply if there is already another holder of 25% percent of the voting rights. Similarly, the Israeli Companies Law provides that an acquisition of our shares must be made by means of a tender offer, if, as a result of the acquisition, a person would become a holder of 45% of the voting rights in our company, unless there is another person holding at that time more than 45% of the voting rights of our company.

The Israeli Companies Law provides for mergers between Israeli companies, if each party to the transaction obtains the appropriate approval of its board of directors and shareholders. A "merger" is defined in the Companies Law as a transfer of all assets and liabilities (including conditional, future, known and unknown liabilities) of a target company to another company, the consequence of which is the dissolution of the target company in accordance with the provisions of the Companies Law. For purposes of the shareholder vote of each merging entity, unless a court rules otherwise, the merger requires the approval of a majority of the shares of that entity that are not held by the other entity or are not held by any person who holds 25% or more of the shares or the right to appoint 25% or more of the directors of the other entity. Article 69A of our Articles of Association provides that a merger requires the approval of the holders of a majority of the shares voting thereon.

Modification of Rights Attached to Shares

The rights attached to any class of shares (unless otherwise provided by the terms of issue of such class), such as voting, dividends and the like, may be modified by the affirmative vote of a majority of the issued shares of the class at a general meeting of the holders of the shares of such class.

Companies Law Amendment

In March 2011, the Israeli Parliament adopted Amendment No. 16 to the Israeli Companies Law, or the Companies Law Amendment. The Companies Law Amendment implements a comprehensive reform in corporate governance in Israel. Most of the provisions of the Companies Law Amendment will become effective on May 14, 2011.

A summary of the principal changes introduced by the Companies Law Amendment is set forth below:

- Audit Committee. A majority of an Audit Committee must be comprised of "independent directors" (as such term is defined in the Companies Law); any person regularly engaged by or rendering services to a controlling shareholder may not serve on the Audit Committee.

  The functions to be performed by the audit committee were expanded to include, *inter alia*, the following: determination whether certain related party actions and transactions are "material" or "extraordinary" in connection with their approval procedures, to assess the scope of work and compensation of the company's independent accountant, to assess the company's internal audit system and the performance of its internal auditor and to set whistle blower procedures (including in respect of the protections afforded to whistle blowers);

- External Directors. The initial three-year term of service of External Directors can be extended, at the election of a company subject to certain conditions, by two additional three-year terms. External Directors will be elected by a majority vote at a shareholders' meeting, provided that either the majority of shares voted at the meeting, including at least one-half (instead of one-third, as under the current law) of the shares held by non-controlling shareholders voted at the meeting, vote in favor; or the total number of shares held by non-controlling shareholders voted against does not exceed two percent (instead of one percent, as under current law) of the aggregate voting rights in the company.

  External Directors may be re-elected for additional terms by means of one of the following mechanisms: (i) the board of directors proposed the nominee and his appointment was approved by the shareholders in the manner required to appoint external directors for their initial term (which was the only available way to re-elect external directors prior to the adoption of Amendment No. 16), or (ii) a shareholder holding 1% or more of the voting rights proposed the nominee, and the nominee is approved by a majority of the votes cast by the shareholders of the company, excluding the votes of controlling shareholders and those who have a personal interest in the matter as a result of their relations with the controlling shareholders, provided that, the aggregate votes cast by shareholders who are not controlling shareholders and do not have a personal interest in the matter as a result of their relations with the controlling shareholders in favor of the nominee constitute more than 2% of the voting rights in the company;

  The independence requirements of External Directors were enhanced such that an individual may not be appointed as an External Director in a company that does not have a controlling shareholder, in the event that he has affiliation, at the time of his appointment, to the chairman, chief executive officer, a 5% shareholder or the chief financial officer; in addition, an individual may not be appointed as an External Director if his relative, partner, employer, supervisor, or an entity he controls, has other than negligible business or professional relations with any of the persons with which the External Director himself may not be affiliated.

- Extraordinary Transactions. Extraordinary transactions with a controlling shareholder or in which a controlling shareholder has a personal interest, and agreements relating to employment and compensation of a controlling shareholder, require shareholders' approval that shall either include at least one- half (instead of one-third, as under current law) of the shares held by disinterested shareholders participating in the vote, or, alternatively, the total shareholdings of disinterested shareholders voting against the transaction must not represent more than two percent (instead of one percent, as under current law) of the voting rights; agreements relating to engagement or provision of services for a period exceeding three years, must generally be approved once every three years.

- Code of Corporate Conduct. A code of recommended corporate governance practices has been attached to the Companies Law Amendment.

- Fines. The Israeli Securities Authority shall be authorized to impose fines on any person or company breaching certain provisions designated under the Companies Law Amendment.

- CEO and Chairman. A higher shareholder approval threshold was adopted to permit a chief executive officer to also serve as chairman of the board and for the chairman of the board to serve as the CEO, and a prohibition was adopted on the chairman's ability to serve the company in any capacity other than as the chief executive officer.

- Officers' employment. The terms of employment of an officer now require the approval of the audit committee as well as the board of directors.

- Tender offers: With respect to full tender offers (tender offers for the acquisition of all outstanding shares in a company), the time-frame for a shareholder to a request appraisal rights with respect to the tender offer was extended from three to six months following the consummation of a the tender, but it is now permitted for the acquirer to stipulate in the offer that any shareholder tendering his shares will not be entitled to appraisal rights.

Securities Law Amendment

On February 27, 2011, an amendment to the Israeli Securities Law- 1968, which applies to Israeli public companies, including companies the securities of which are also listed on the NASDAQ Markets. The main purpose of the Securities Law Amendment is to create an administrative enforcement procedure to be used by the Israeli Securities Authority, or ISA, to enhance the efficacy of enforcement in the securities market in Israel. The new administrative enforcement procedure may be applied to any company or person, including a director, officer or shareholder of a company, performing any of the actions specifically designated as breaches of law under the Securities Law Amendment.

The Securities Law Amendment also requires that the chief executive officer of a company supervise and take all reasonable measures to prevent the company or any of its employees from breaching the Israeli Securities Law. The chief executive officer is presumed to have fulfilled such supervisory duty if the company adopts internal enforcement procedures designed to prevent such breaches, appoints a representative to supervise the implementation of such procedures and takes measures to correct the breach and prevent its reoccurrence.

Under the Securities Law Amendment, a company cannot obtain insurance against or indemnify a third party, including its officers and/or employees, for any administrative procedure and/or monetary fine other than for payment of damages to an injured party. The Securities Law Amendment permits insurance and/or indemnification for expenses related to an administrative procedure, such as reasonable legal fees, provided that it is permitted under the company's articles of association.

We are currently examining the implications of the Securities Law Amendment; however, its effect and consequences, as well as our scope of exposure, are yet to be determined in practice. There is no assurance that we will not be required to take certain actions in order to enhance our compliance with the provisions of this amendment, such as adopting and implementing an internal enforcement plan to reduce our exposure to potential breaches of the Israeli Securities Law, or amending our articles of association to permit insurance and/or indemnification as contemplated by this amendment.

C. Material Contracts

While we have numerous contracts with customers and distributors we do not deem any such individual contract to be material.

D. Exchange Controls

The Israeli Currency Control Law, 5738-1978 provides that transactions in foreign currencies, and transactions with foreign residents, require a permit. Since 1998, when a new "general permit" was issued under the law, there have been no Israeli currency control restrictions on payments of dividends or other distributions with respect to our ordinary shares or the proceeds from the sale of the shares, except for the obligation of Israeli residents to file reports with the Bank of Israel regarding certain transactions.

E. Taxation

The following is a discussion of Israeli and United States tax consequences material to our shareholders. To the extent that the discussion is based on new tax legislation which has not been subject to judicial or administrative interpretation, the views expressed in the discussion might not be accepted by the tax authorities in question. The discussion is not intended, and should not be construed, as legal or professional tax advice and does not exhaust all possible tax considerations.

Holders of our ordinary shares should consult their own tax advisors as to the United States, Israeli or other tax consequences of the purchase, ownership and disposition of ordinary shares, including, in particular, the effect of any foreign, state or local taxes.

ISRAELI TAX CONSIDERATIONS

The following is a summary of certain Israeli income tax and capital gains tax consequences for non-Israeli residents as well as Israeli residents holding our ordinary shares. The summary is based on provisions of the Israeli Income Tax Ordinance (new version), 1961 and regulations promulgated thereunder, as well as on administrative and judicial interpretations, all as currently in effect, and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. There might be changes in the tax rates and in the circumstances in which they apply, and other modifications which might change the tax consequences to you. The summary is intended for general purposes only, and does not relate to all relevant tax aspects. The discussion is not intended and should not be construed as legal or professional tax sufficient for decision making. This summary does not discuss all aspects of Israeli income and capital gain taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special status or treatment under Israeli tax law.

FOR THE FOREGOING AND OTHER REASONS, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF YOUR HOLDINGS. WE ARE NOT MAKING ANY REPRESENTATIONS REGARDING THE PARTICULAR TAX CONSEQUENCES AS TO ANY HOLDER, NOR ARE WE OR OUR ADVISORS RENDERING ANY FORM OF LEGAL OPINION OR PROFESSIONAL TAX ADVICE AS TO SUCH TAX CONSEQUENCES.

Taxable income of Israeli companies was subject to tax at the rate of 27% in 2008, 26% in 2009, and 25% in 2010. This rate is about to decline gradually as follows: 2011 - 24%, 2012 - 23%, 2013 - 22%, 2014 - 21%, 2015 - 20%, 2016 and thereafter - 18%.

Israeli Tax Consequences of Holding Our Stock

Non-Israeli residents

Non-Israeli residents are subject to tax on income accrued or derived from Israeli sources. These include, inter alia, dividends, royalties and interest, as well as other types of income (e.g., from provision of services in Israel). We are required to withhold income tax on such payments to non-residents. Israel presently has no estate or gift tax.

Capital Gains

Israeli law generally imposes a capital gains tax on capital gains derived from the sale of securities and other Israeli capital assets, including shares in Israeli resident companies, unless a specific exemption is available or unless a treaty between Israel and the country of the non-resident provides otherwise. Capital gains from sales of our ordinary shares will be tax exempt for non-Israeli residents provided certain conditions are met (one of these conditions is that the gains are not derived through a permanent establishment that the non-resident maintains in Israel).

For residents of the United States holding less than 10% of our shares at any time in the twelve months before the sale, under the treaty between Israel and the U.S., capital gains from the sale of capital assets are generally exempt from Israeli capital gains tax with respect to the exceptions stated in the treaty.

Dividends

As of January 1, 2006, income tax on distributions of dividends other than bonus shares (stock dividends) is at the rate of 20% for dividends paid to an individual or a foreign corporation who is not a substantial shareholder (*i.e.*, one who holds, directly or indirectly, alone or together with another person at least 10% un one or more of the means of control in a company), 25% for dividends paid to a substantial shareholder, and 15% for dividends distributed out of income generated by a beneficial enterprise. A different withholding tax rate may apply, based on a tax treaty between Israel and shareholder's country of residence.

Under the U.S.- Israel tax treaty, the maximum tax on dividends paid to a holder of ordinary shares who is a U.S. resident will be 25%. However, the maximum tax rate on dividends not generated by a beneficial enterprise paid to a US corporation holding at least 10% of our voting power is 12.5%. As long as our shares are listed on a stock exchange, the maximum withholding tax rate will be 20%.

Interest

Interest paid by us (e.g., on our convertible notes) should be treated as stemming from an Israeli source and be subject to Israeli tax. Accordingly interest withholding tax should apply at the standard rate of 25%. A 20% withholding tax should apply to interest paid to individuals who are not substantial shareholders. The withholding tax rate may be reduced under tax treaty.

Under the treaty between Israel and the United States the maximum withholding tax rate on interest paid to a U.S. resident (as defined in the treaty) holding our convertible notes should be 17.5%. For residents of other countries who are not substantial shareholders, unless a different rate is provided in a treaty between Israel and the country of residence of such holder of our convertible notes, the maximum tax that we are required to withhold is 25% on all distributions of interest. In some instances (e.g., where the recipient of the interest is an individual who is a substantial shareholder) a higher tax rate should apply.

Filing of Tax Returns in Israel

Non-Israeli resident who receives interest, dividend or royalty income derived or accrued in Israel, from which tax was withheld, should generally be exempt from Israeli tax filing obligation, provided such income was not derived by him from a business conducted in Israel.

Israeli Residents

Capital Gains

Israeli law imposes capital gains tax on capital gains derived from the sale of securities and other capital assets, including shares. Gains from sales of ordinary shares acquired after December 31, 2002, are subject to 20% capital gains tax (25% for substantial shareholder) for individuals. Israeli companies that were subject to the Income Tax Law (Inflation Adjustments) - 1985 (the "Adjustment Law") prior to the publication of Amendment No. 147 are subject to corporate tax rate on capital gain driven from the sale of our ordinary shares, Israeli companies that were not subject to the Adjustment law prior to the publication of Amendment No. 147 are subject to capital gain tax at a rate of 25% in connection with the sale of our ordinary shares. If our ordinary shares were purchased prior to January 1, 2003, different taxation will apply. Certain withholding obligations may apply on the sale of our shares.

Dividends

Dividend income generated by an Approved Enterprise is subject to income tax at a rate of 15%. Starting January 1, 2006, the distribution of dividend income generated by other sources, other than bonus shares (stock dividends), to Israeli residents who purchased our Shares will generally be subject to income tax at a rate of 20% for individuals (25% for substantial shareholder) and will be exempt from income tax for corporations provided the dividend was paid out of income generated in Israel. We may be required to withhold income tax at the maximum rate of up to 25% (0% for Israeli corporations provided the dividend was paid out of income generated in Israel.) on all such distributions (15% for dividends generated by an Approved Enterprise).

Interest

Interest income is generally subject to 20% tax for individuals (the marginal tax rate for substantial shareholder and 15% if certain conditions apply) and the standard corporate income tax rate applicable for companies at that year. We may be required to withhold tax on interest payments of up to the applicable corporate tax rate for companies, and in certain instances up to the marginal tax rate for individuals.

Tax Benefits under the Law for the Encouragement of Capital Investments, 1959

Tax benefits prior to the amendment of 2005

The Law for the Encouragement of Capital Investments, 1959, as in effect prior to April 1, 2005 (the "Investments Law"), provides that a capital investment in eligible facilities may, upon application to the Investment Center of the Ministry of Industry, Trade and Labor of the State of Israel, be designated as an approved enterprise. The Investment Center bases its decision as to whether or not to approve an application, among other things, on the criteria set forth in the Investments Law and regulations, the then prevailing policy of the Investment Center, and the specific objectives and financial criteria of the applicant. Each certificate of approval for an approved enterprise relates to a specific investment program delineated both by its financial scope, including its capital sources, and by its physical characteristics, e.g., the equipment to be purchased and utilized pursuant to the program.

The Investments Law provides that an approved enterprise is eligible for tax benefits on taxable income derived from its approved enterprise programs. The tax benefits under the Investments Law also apply to income generated by a company from the grant of a usage right with respect to know-how developed by the approved enterprise, income generated from royalties, and income derived from a service which is related to such usage right or royalties, provided that such income is generated within the approved enterprise's ordinary course of business. If a company has more than one approval or only a portion of its capital investments are approved, its effective tax rate is in general the result of a weighted average of the applicable rates. The tax benefits under the Investments Law might be restricted with respect to income derived from products manufactured outside of Israel. In addition, the tax benefits available to an approved enterprise are contingent upon the fulfillment of conditions stipulated in the Investments Law and regulations and the criteria set forth in the specific certificate of approval, as described above. In the event that a company does not meet these conditions, it would be required to refund the amount of tax benefits, plus a consumer price index linkage adjustment and interest.

The Investments Law also provides that an approved enterprise is entitled to accelerated depreciation on its property and equipment that are included in an approved enterprise program in the first five years of using the equipment.

Taxable income of a company derived from an approved enterprise is subject to corporate tax at the maximum rate of 25%, rather than the regular corporate tax rate, for the benefit period. This period is ordinarily seven years commencing with the year in which the approved enterprise first generates taxable income after the commencement of production, and is limited to 12 years from commencement of production or 14 years from the date of approval, whichever is earlier (the "year's limitation").

Should we derive income from sources other than the "approved enterprise" during the relevant period of benefits, such income will be taxable at the regular corporate tax rates.

Under certain circumstances (as further detailed below), the benefit period may extend to a maximum of ten years from the commencement of the benefit period.

A company may elect to receive an alternative package of benefits. Under the alternative package of benefits, a company's undistributed income derived from the approved enterprise will be exempt from corporate tax for a period of between 2 and 10 years from the first year the company derives taxable income under the program, after the commencement of production, depending on the geographic location of the approved enterprise within Israel, and such company will be eligible for a reduced tax rate for the remainder of the benefits period (but not more than a maximum of 7 to 10 years in total). The limitation of years, as mentioned above, does not apply to the exemption period.

A company that has elected the alternative package of benefits, such as us, that subsequently pays a dividend out of income derived from the approved enterprise(s) during the tax exemption period will be subject to corporate tax in the year the dividend is distributed in respect of the gross amount distributed, at the rate which would have been applicable had the company not elected the alternative package of benefits, (generally 10%-25%, depending on the percentage of the company's ordinary shares held by foreign shareholders). The dividend recipient is subject to withholding tax at the reduced rate of 15% applicable to dividends from approved enterprises, if the dividend is distributed during the tax exemption period or within 12 years thereafter. In the event, however, that the company is qualifies as a Foreign Investors' Company, there is no such time limitation.

A company that has an approved enterprise program is eligible for further tax benefits if it qualifies as a foreign investors company. A foreign investors company is a company which, among others, more than 25% of its share capital, including shareholders' loans, is owned by non-Israeli residents. A company that qualifies as a foreign investors company and has an approved enterprise program is eligible for tax benefits for a 10 year benefit period.

Tax benefits under the 2005 Amendment

On April 1, 2005, a comprehensive amendment to the investment law came into effect, (the "Amendment"). The Amendment includes revisions to the criteria for investments qualified to receive tax benefits as an Approved Enterprise. The Amendment applies to new investment programs and investment programs commencing after 2004, and does not apply to investment programs approved prior to December 31, 2004.

However, a company that was granted benefits according to section 51 of the Investment Law (prior the Amendment) would not be allowed to choose a new tax year as a Year of Election (as described below) under the Amendment, for a period of two years from the company's previous Year of Commencement under the old investment law.

As a result of the Amendment, it is no longer necessary for a company to acquire approved enterprise status in order to receive the tax benefits previously available under the alternative route, and therefore such companies do not need to apply to the Investment Center for this purpose. Rather, a company wishing to receive the tax benefits afforded to a Benefited Enterprise is required to select the tax year from which the period of benefits under the Investment Law are to commence by notifying the Israeli Tax Authority within 12 months of the end of that year, provided that its facilities meet the criteria for tax benefits set out by the Amendment, or a Benefited Enterprise. Companies are also granted a right to approach the Israeli Tax Authority for a pre-ruling regarding their eligibility for benefits under the Amendment. The Amendment includes provisions attempting to ensure that a company will not enjoy both Government grants and tax benefits for the same investment program

The Amendment simplifies the approval process: according the Amendment, only Approved Enterprises receiving cash grants require the approval of the Investment Center. The Investment Center was entitled, to approve such programs only until December 31, 2007.

The Amendment does not apply to benefits included in any certificate of approval that was granted before the Amendment came into effect, which will remain subject to the provisions of the Investment Law as they were on the date of such approval.

Tax benefits are available under the Amendment to production facilities (or other eligible facilities), which are generally required to derive more than 25% of their business income from export (referred to as a "Benefited Enterprise"). In order to receive the tax benefits, the Amendment states that the company must make an investment in the Benefited Enterprise exceeding a certain percentage or a minimum amount specified in the Law. Such investment may be made over a period of no more than three years ending at the end of the year in which the company requested to have the tax benefits apply to the Benefited Enterprise, or the Year of Election. If the company requests to have the tax benefits apply to an expansion of existing facilities, then only the expansion will be considered a Benefited Enterprise and in general the company's effective tax rate will be the result of a weighted combination of the applicable tax rates. In this case, the minimum investment required in order to qualify as a Benefited Enterprise is required to exceed a minimum amount or a certain percentage of the company's production assets at the end of the year before the expansion.

The duration of tax benefits is subject to a limitation of the earlier of 7 to 10 years from the Commencement Year, or 12 years from the first day of the Year of Election. The tax benefits granted to a Benefited Enterprise are determined, as applicable to its geographic location within Israel, according to one of the following new tax routes, which may be applicable to us:

- Similar to the alternative route, exemption from corporate tax on undistributed income for a period of two to ten years, depending on the geographic location of the Benefited Enterprise within Israel, and a reduced corporate tax rate of 10% to 25% for the remainder of the benefits period, depending on the level of foreign investment in each year. Benefits may be granted for a term of seven or ten years, depending on the level of foreign investment in the company. If the company pays a dividend out of income derived from the Benefited Enterprise during the tax exemption period, such income will be subject to corporate tax at the applicable rate (10%-25%) in respect of the grossed up amount of the dividend that we may distribute. The company is required to withhold tax at a rate of 15% from any dividends distributed from income derived from the Benefited Enterprise; and

- A special tax route, which enables companies owning facilities in certain geographical locations in Israel to pay corporate tax at the rate of 11.5% on income of the Benefited Enterprise. The benefits period is ten years. Upon payment of dividends, the company is required to withhold tax at a rate of 15% for Israeli residents and at a rate of 4% for foreign residents.

If we are granted new benefits in the future, we will be subject to the first route.

Generally, a company that is "Abundant in Foreign Investment" (as defined in the Investments Law) is entitled to an extension of the benefits period by an additional five years, depending on the rate of its income that is derived in foreign currency.

The Amendment changes the definition of "foreign investment" in the Investments Law so that the definition now requires a minimal investment of NIS 5 million by foreign investors. Furthermore, such definition now also includes the purchase of shares of a company from another shareholder, provided that the company's outstanding and paid-up share capital exceeds NIS 5 million. Such changes to the aforementioned definition will take effect retroactively from 2003.

The Amendment will apply to approved enterprise programs in which the year of election under the Investments Law is 2004 or later, unless such programs received approval from the Investment Center on or prior to December 31, 2004, in which case the Amendment provides that the terms and benefits included in any certificate of approval already granted will remain subject to the provisions of the law as they were on the date of such approval.

As a result of the Amendment, tax-exempt income generated under the provisions of the Amendment will be subject to taxes upon distribution or liquidation and we may be required in the future to record deferred tax liability with respect to such tax-exempt income.

The 2011 amendment

Recently, new legislation that constitutes a major amendment to the Investment Law was published. Under the new legislation, a uniform rate of corporate tax would apply to all qualified income of certain Industrial Companies, as opposed to the current law's incentives that are limited to income from Approved Enterprises during their benefits period. According to the new law, the uniform tax rate would be 10% in areas in Israel that will be designated as Development Zone A and 15% elsewhere in Israel during 2011-2012, 7% and 12.5%, respectively, in 2013-2014, and 6% and 12%, respectively, thereafter. Certain "Special Industrial Companies" that meet certain criteria would enjoy further reduced tax rates of 5% in Zone A and 8% elsewhere. The profits of these Industrial Companies would be freely distributable as dividends, subject to a 15% withholding tax (or lower, under an applicable tax treaty).

Under the transitory provisions of the new legislation, we may opt whether to irrevocably implement the new law in each of its Israeli companies while waiving benefits provided under the current law or keep implementing the current law during the next years. Changing from the current law to the new law is permissible at any stage.

Israeli Transfer Pricing Regulations

Israeli transfer pricing legislation generally provides that all cross-border transactions carried out between related parties be conducted on an arm’s length principle basis and will be taxed accordingly. The TP Regs are not expected to have a material effect on our company.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of certain U.S. federal income tax considerations applicable to U.S. Holders (as defined below) of ordinary shares, who hold such ordinary shares as capital assets (generally, property held for investment). This summary is based on provisions of the U.S. Internal Revenue Code, or the Code, existing and proposed U.S. Treasury regulations and administrative and judicial interpretations in effect as of the date of this annual report and the U.S. - Israel Tax Treaty. All of these authorities are subject to change (possibly with retroactive effect) and to differing interpretations. In addition, this summary does not discuss non-U.S. tax implications or U.S. state tax implications, no does it discuss all aspects of U.S. federal income taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special treatment under U.S. federal income tax law, including:

- insurance companies;
- dealers in stocks or securities;
- financial institutions;
- tax-exempt organizations;
- regulated investment companies or real estate investment trusts;
- persons subject to the alternative minimum tax;
- persons who hold ordinary shares through partnerships or other pass-through entities;
- persons holding their shares as part of a straddle or appreciated financial position or as part of a hedging or conversion transaction;
- persons who acquired their ordinary shares through the exercise or cancellation of employee stock options or otherwise as compensation for services;
- non-residents aliens of the U.S. or persons having a functional currency other than the U.S. dollar; or
- direct, indirect or constructive owners of 10% or more of the outstanding voting shares of our company.

If a partnership or an entity treated as a partnership for U.S. federal income tax purposes owns ordinary shares, the U.S. federal income tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership that owns ordinary shares and the partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of holding and disposing of ordinary shares.

THE FOLLOWING SUMMARY DOES NOT ADDRESS THE IMPACT OF A U.S. HOLDER'S INDIVIDUAL TAX CIRCUMSTANCES. ACCORDINGLY, EACH U.S. HOLDER IS URGED TO CONSULT HIS OR HER TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO HIM OR HER OF AN INVESTMENT IN THE ORDINARY SHARES, INCLUDING THE EFFECTS OF APPLICABLE STATE, LOCAL OR NON-U.S. TAX LAWS AND POSSIBLE CHANGES IN THE TAX LAWS.

As used herein, the term “U.S. Holder” means a beneficial owner of an ordinary share who is, for U.S. federal income tax purposes:

- a citizen or, for U.S. federal income tax purposes, a resident of the United States;

- a corporation created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) (A) a U.S. court is able to exercise primary supervision over the trust's administration and (B) one or more U.S. persons have the authority to control all of the trust's substantial decisions, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Dividends Paid on Ordinary Shares

Subject to the discussion of the passive foreign investment company or PFIC rules below, a U.S. Holder generally will be required to include in gross income as ordinary dividend income the amount of any distributions paid on the ordinary shares (including the amount of any Israeli taxes withheld) to the extent that such distributions are paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Distributions in excess of our earnings and profits will be applied against and will reduce the U.S. Holder's tax basis in its ordinary shares and, to the extent they are in excess of such tax basis, will be treated as gain from a sale or exchange of such ordinary shares. Our dividends will not qualify for the dividends-received deduction otherwise available to U.S. corporations. In the event that we pay cash dividends, such dividends will be paid in Israeli currency. Dividends paid in NIS (including the amount of any Israeli taxes withheld therefrom) will be includible in the gross income of a U.S. Holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day they are received by the U.S. Holder. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in the income of the U.S. Holder to the date such payment is converted into U.S. dollars generally will be treated as U.S. source ordinary income or loss.

Subject to certain limitations, "qualified dividend income" received by a non-corporate taxpayer generally is subject to U.S. federal income tax at a reduced maximum tax rate of 15 percent through December 31, 2012. Dividends received with respect to ordinary shares should qualify for the 15 percent rate provided that either: (i) we are entitled to benefits under the income tax treaty between the United States and Israel (the "Treaty"); or (ii) the ordinary shares currently are readily tradable on an established securities market in the United States. We believe that we are entitled to benefits under the Treaty and that the ordinary shares currently are readily tradable on an established securities market in the U.S. No assurance can be given that the ordinary shares will remain readily tradable. The rate reduction does not apply to dividends received from PFICs, see discussion below, or in respect of certain short-term or hedged positions in common stock or in certain other situations. The legislation enacting the reduced tax rate contains special rules for computing the foreign tax credit limitation of a taxpayer who receives dividends subject to the reduced tax rate, see discussion below. U.S. Holders of ordinary shares should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Subject to complex limitations, any Israeli withholding tax imposed on dividends paid by us will be a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability (or, alternatively, for deduction against income in determining such tax liability). The limitations set out in the Code include computational rules under which foreign tax credits allowable with respect to specific classes of income cannot exceed the U.S. federal income taxes otherwise payable with respect to each such class of income. Dividends generally will be treated as foreign-source passive category income or, in the case of certain U.S. Holders, general category income for United States foreign tax credit purposes. Further, there are special rules for computing the foreign tax credit limitation of a taxpayer who receives dividends subject to a reduced tax, see discussion above. A U.S. Holder will be denied a foreign tax credit with respect to Israeli income tax withheld from dividends received on the ordinary shares to the extent such U.S. Holder has not held the ordinary shares for at least 16 days of the 31-day period beginning on the date which is 15 days before the ex-dividend date or to the extent such U.S. Holder is under an obligation to make related payments with respect to substantially similar or related property. Any days during which a U.S. Holder has substantially diminished its risk of loss on the ordinary shares are not counted toward meeting the 16-day holding period required by the statute. The rules relating to the determination of the foreign tax credit are complex, and you should consult with your personal tax advisors to determine whether and to what extent you would be entitled to this credit.

Sale or Disposition of Ordinary Shares

Subject to the discussion of PFIC rules below, upon the sale or other disposition of ordinary shares, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized on the disposition and such holder's adjusted tax basis in the ordinary shares disposed of. Gain or loss upon the disposition of ordinary shares will be long-term capital gain or loss if, at the time of the disposition, the U.S. Holder's holding period for the ordinary shares disposed of exceeds one year. In general, any gain that you recognize on the sale or other disposition of ordinary shares will be U.S.-source for purposes of the foreign tax credit limitation; losses will generally be allocated against U.S. source income. Deduction of capital losses is subject to certain limitations under the Code.

In the case of a cash basis U.S. Holder who receives NIS in connection with the sale or disposition of ordinary shares, the amount realized will be based on the U.S. dollar value of the NIS received with respect to the ordinary shares as determined on the settlement date of such exchange. A U.S. Holder who receives payment in NIS and converts NIS into United States dollars at a conversion rate other than the rate in effect on the settlement date may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss.

An accrual basis U.S. Holder may elect the same treatment required of cash basis taxpayers with respect to a sale or disposition of ordinary shares, provided that the election is applied consistently from year to year. Such election may not be changed without the consent of the Internal Revenue Service, or the IRS. In the event that an accrual basis U.S. Holder does not elect to be treated as a cash basis taxpayer (pursuant to the Treasury regulations applicable to foreign currency transactions), such U.S. Holder may have a foreign currency gain or loss for U.S. federal income tax purposes because of differences between the U.S. dollar value of the currency received prevailing on the trade date and the settlement date. Any such currency gain or loss would be treated as ordinary income or loss and would be in addition to gain or loss, if any, recognized by such U.S. Holder on the sale or disposition of such ordinary shares.

Passive Foreign Investment Company

For U.S. federal income tax purposes, we will be considered a PFIC for any taxable year in which either (i) 75% or more of our gross income is passive income, or (ii) at least 50% of the average value of all of our assets for the taxable year produce or are held for the production of passive income. For this purpose, passive income includes dividends, interest, royalties, rents, annuities and the excess of gains over losses from the disposition of assets which produce passive income. If we were determined to be a PFIC for U.S. federal income tax purposes, highly complex rules would apply to U.S. Holders owning ordinary shares. Accordingly, you are urged to consult your tax advisors regarding the application of such rules.

Based on our current and projected income, assets and activities, we believe that we were not a PFIC in the year 2010. However, because the determination of whether we are a PFIC is based upon the composition of our income and assets from time to time, there can be no assurances that we will not become a PFIC for any future taxable year.

If we were treated as a PFIC for any taxable year, dividends would not qualify for the reduced maximum tax rate, discussed above, and you would be required to make an annual return on IRS Form 8862. Further, unless you elect either to treat your investment in ordinary shares as an investment in a "qualified electing fund", or a QEF election, or to "mark-to-market" your ordinary shares, as described below:

- you would be required to allocate income recognized upon receiving certain dividends or gain recognized upon the disposition of ordinary shares ratably over the holding period for such ordinary shares;

- the amount allocated to each year during which we are considered a PFIC and subsequent years, other than the year of the dividend payment or disposition, would be subject to tax at the highest individual or corporate tax rate, as the case may be, in effect for that year and an interest charge would be imposed with respect to the resulting tax liability allocated to each such year;

- the amount allocated to the current taxable year and any taxable year before we became a PFIC would be taxable as ordinary income in the current year, and

If you make either a timely QEF election or a timely mark-to-market election in respect of your ordinary shares, you would not be subject to the rules described above. If you make a timely QEF election, you would be required to include in your income for each taxable year your pro rata share of our ordinary earnings as ordinary income and your pro rata share of our net capital gain as long-term capital gain, whether or not such amounts are actually distributed to you. You would not be eligible to make a QEF election unless we comply with certain applicable information reporting requirements.

Alternatively, if the ordinary shares are considered "marketable stock" and if you elect to "mark-to-market" your ordinary shares, you will generally include in income any excess of the fair market value of the ordinary shares at the close of each tax year over your adjusted basis in the ordinary shares. If the fair market value of the ordinary shares had depreciated below your adjusted basis at the close of the tax year, you may generally deduct the excess of the adjusted basis of the ordinary shares over its fair market value at that time. However, such deductions generally would be limited to the net mark-to-market gains, if any, that you included in income with respect to such ordinary shares in prior years. Income recognized and deductions allowed under the mark-to-market provisions, as well as any gain or loss on the disposition of ordinary shares with respect to which the mark-to-market election is made, is generally treated as ordinary income or loss.

Backup Withholding and Information Reporting

Payments in respect of ordinary shares may be subject to information reporting to the U.S. Internal Revenue Service and to U.S. backup withholding tax at a rate equal to the fourth lowest income tax rate applicable to individuals (which, under current law, is 28%). Backup withholding will not apply, however, if you (i) are a corporation or come within certain exempt categories, and demonstrate the fact when so required, or (ii) furnish a correct taxpayer identification number and make any other required certification.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. Holder's U.S. tax liability, and a U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS.

Any U.S. holder who holds 10% or more in vote or value of our ordinary shares will be subject to certain additional United States information reporting requirements.

F. Dividend and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to certain of the reporting requirements of the Securities and Exchange Act of 1934, as amended, or the Exchange Act, as applicable to "foreign private issuers" as defined in Rule 3b-4 under the Exchange Act. As a foreign private issuer, we are exempt from certain provisions of the Exchange Act. Accordingly, our proxy solicitations are not subject to the disclosure and procedural requirements of Regulation 14A under the Exchange Act, and transactions in our equity securities by our officers and directors are exempt from reporting and the "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we file with the Securities and Exchange Commission an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We also submit to the Securities and Exchange Commission reports on Form 6-K containing (among other things) press releases and unaudited financial information. We post our annual report on Form 20-F on our website (http://www.gilat.com) promptly following the filing of our annual report with the Securities and Exchange Commission. The information on our website is not incorporated by reference into this annual report.

This annual report and the exhibits thereto and any other document we file pursuant to the Exchange Act may be inspected without charge and copied at prescribed rates at the Securities and Exchange Commission public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Securities and Exchange Commission's public reference room in Washington, D.C. by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Exchange Act file number for our Securities and Exchange Commission filings is 000-21218.

The Securities and Exchange Commission maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the Securities and Exchange Commission using its EDGAR (Electronic Data Gathering, Analysis, and Retrieval) system.

The documents concerning our company that are referred to in this annual report may also be inspected at our offices located at Gilat House, 21 Yegia Kapayim Street, Kiryat Arye, Petah Tikva, 49130 Israel.

I. Subsidiary Information

Not applicable.

ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

The majority of our revenues are generated in U.S. dollars or linked to the dollar. In addition, a substantial portion of our costs are incurred in U.S. dollars. We believe that the U.S. dollar is the primary currency of the economic environment in which the Company and certain of its subsidiaries operate. Thus, the functional and reporting currency of the Company and certain of its subsidiaries is the U.S. dollar.

Accordingly, monetary accounts maintained in currencies other than the U.S. dollar are remeasured into U.S. dollars in accordance with ASC 830, "Foreign Currency Matters" ("ASC 830") (formerly: SFAS No.52, "Foreign Currency Translation). All transaction gains and losses of the remeasurement of monetary balance sheet items are reflected in the consolidated statements of operations as financial income or expenses, as appropriate.

The financial statements of foreign subsidiaries, whose functional currency has been determined to be their local currency, have been translated into U.S. dollars. Assets and liabilities have been translated using the exchange rates in effect at the balance sheet date. Statements of operations amounts have been translated using average rates, which approximates the prevailing exchange rate for each transaction. The resulting translation adjustments are reported as a component of equity in accumulated other comprehensive income (loss).

While the majority of our revenues and expenses are generated in U.S. dollars a portion of our expenses are denominated in NIS which lead us to be exposed to financial market risk associated with changes in foreign currency exchange rates. In order to reduce the impact of foreign currency rate volatility of future cash flows caused by changes in foreign exchange rates, we use currency forward contracts. We hedge the part of our forecasted expenses denominated in NIS. If our currency forward contracts meet the definition of a hedge, and are so designated, changes in the fair value of the contracts will be offset against changes in the fair value of the hedged assets or liabilities through earnings. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change. Our hedging reduces, but does not eliminate, the impact of foreign currency rate movements, and due to the results of our operations may be adversely affected.

During the year ended December 31, 2010, we recognized net income of approximately $ 1 million related to the effective portion of our hedging instruments. The effective portion of the hedged instruments was included as an offset (addition) of payroll expenses and other operating expenses in the statement of operations. The ineffective portion of the hedged instrument amounted to $ 6 thousands during the year ended December 31, 2010 and was recorded as financial income. As of December 31, 2010, we didn't have any hedging instruments on our balance sheet.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment in restricted cash and to our loans. Our short-term and long term restricted cash is primarily invested in certificates of deposit. As of December 31, 2010, the vast majority of this amount was linked to the U.S. dollar. It is used as collateral for the lease of the Company's offices, performance guarantees to customers and loans and therefore does not bear significant interest rates. Our financial liabilities are comprised of loans and convertible notes. The table below details our balance sheet exposure by currency and interest rates. Any changes in the interest rate relating to the loan with the variable interest rate, could adversely affect our operations if financial expenses increase.

The table below details our balance sheet exposure by currency and interest rates:

	Expected Maturity Dates				
	2011	2012	2013	2014	2015 and thereafter
			(In thousands)		
Assets:					
Restricted cash - in U.S. dollars	3,634	600	500	500	2,500
Weighted interest rate	1.57%	0.22%	0.25%	0.25%	0.25%
In other currency	205	409	74		
Weighted interest rate	2.38%	0%	7%		
In other currency	1,004				
Weighted interest rate	0.00%				
Liabilities:					
Short term bank credit - in U.S. dollars	2,129				
Weighted interest rate	4.50%				
Long-term loans (including current maturities) - in U.S. dollars	904	4,000	4,000	4,000	28,000
Weighted interest rate	8.24%	4.77%	4.77%	4.77%	4.77%
In other currency	443	594	599	548	3,461
Weighted interest rate	6.25%	6.26%	6.26%	6.29%	6.30%
Converted subordinated notes - in U.S. dollars	839	14,379			
Weighted interest rate	4.00%	4.00%			

ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None

ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our principal executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended) as of December 31, 2010, have concluded that, as of such date, our disclosure controls and procedures were effective and ensured that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is accumulated and communicated to our management, including our principal executive officer and chief financial officer, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the rules of the Securities and Exchange Commission.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transaction and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use of disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting, as of December 31, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that assessment, our management concluded that as of December 31, 2010, our internal control over financial reporting is effective. Our management's assessment of, and conclusion on, the effectiveness of internal control over financial reporting did not include the internal controls of Wavestream and RAS, which were acquired during 2010, and are included in the 2010 consolidated financial statements of Gilat and its subsidiaries.

Below is the independent auditors, Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global, audit report on the effectiveness of our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

GILAT SATELLITE NETWORKS LTD.

We have audited Gilat Satellite Networks Ltd.'s ("Gilat") and its subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). Gilat's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Item 15 of this annual report on Form 20-F under the heading "Management's Annual Report on Internal Control Over Financial Reporting", management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Wavestream and RAS, which were acquired during 2010 and are included in the 2010 consolidated financial statements of Gilat and its subsidiaries and constituted approximately 40% of total consolidated assets as of December 31, 2010. Our audit of internal control over financial reporting of Gilat and its subsidiaries also did not include an evaluation of the internal control over financial reporting of Wavestream and RAS.

In our opinion, Gilat and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Gilat and its subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2010, and our report dated April 12, 2011, expressed an unqualified opinion thereon.

Tel-Aviv, Israel
April 12, 2011

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

Changes in Internal Control over Financial Reporting

During the period covered by this Annual Report on Form 20-F, no changes in our internal control over financial reporting have occurred that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16: RESERVED

ITEM 16A: AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Dr. Meridor and Ms. Sarid meet the definition of an audit committee financial expert, as defined by rules of the Securities and Exchange Commission. For a brief listing of their relevant experience, see Item 6.A. "Directors, Senior Management and Employees - Directors and Senior Management."

ITEM 16B: CODE OF ETHICS

We have adopted a Code of Ethics for executive and financial officers that also applies to all of our employees. The Code of Ethics is publicly available on our website at www.gilat.com. Written copies are available upon request. If we make any substantive amendments to the Code of Ethics or grant any waivers, including any implicit waiver, from a provision of this code to our chief executive officer, principal financial officer or corporate controller, we will disclose the nature of such amendment or waiver on our website.

ITEM 16C: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees Billed by Independent Auditors

The following table sets forth, for each of the years indicated, the fees billed to us by our independent auditors and the percentage of each of the fees out of the total amount paid to the auditors.

	Year Ended December 31,			
	2010		2009	
Services Rendered	Fees	Percentages	Fees	Percentages
Audit fees (1)	$ 836,213	89.52%	$ 818,254	93.17%
Tax fees (2)	$ 62,875	6.73%	$ 60,000	6.83%
Other	$ 35,000	3.75%		
Total	$ 934,088	100%	$ 878,254	100.00%

(1) Audit fees are fees for audit services for each of the years shown in this table, including fees associated with the annual audit, services provided in connection with audit of our internal control over financial reporting and audit services provided in connection with other statutory or regulatory filings.

(2) Tax fees are fees for professional services rendered by our auditors for tax compliance, tax planning and tax advice on actual or contemplated transactions.

Policies and Procedures

Our Audit Committee has adopted a policy and procedures for the approval of audit and non-audit services rendered by our principal accountants, Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global and other members of Ernst & Young Global. The policy generally requires the Audit Committee's approval of the scope of the engagement of our principal accountants or on an individual engagement basis. The policy prohibits retention of our principal accountants to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act of 2002 or the rules of the SEC, and also considers whether proposed services are compatible with the independence of the public auditors.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E: PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Issuer Purchase of Equity Securities

In the year ended December 31, 2010, neither we nor any affiliated purchaser has purchased any of our securities.

ITEM 16F: CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Under NASDAQ Marketplace Rule 5615(a)(3) or Rule 5615(a)(3), foreign private issuers, such as our company, are permitted to follow certain home country corporate governance practices instead of certain provisions of Rule 5615(a)(3).

We have elected to follow Israeli law and practice instead of the following NASDAQ rules:

- The requirement to obtain shareholder approval for the establishment or material amendment of certain equity based compensation plans and arrangements, under which shares may be acquired by officers, directors, employees or consultants. Under Israeli law and practice, the approval of the board of directors is required for the establishment or material amendment of such equity based compensation plans and arrangements. However, any equity based compensation arrangement with a director or the material amendment of such an arrangement must be approved by our Audit Committee, Board of Directors and shareholders, in that order.

- The requirements regarding the director nominations process. Under Israeli law and practice, our Board of Directors is authorized to recommend to our shareholders director nominees for election, and our shareholders may nominate candidates for election as directors by the general meeting of shareholders. Although we are not required to do so under Israel law, our Board of Directors has established a nominating committee, which is charged with and authorized to recommend nominees for election to the board of directors by our shareholders at the annual general meeting of shareholders. See Item 6C. "Directors, Senior Management and Employees - Board Practices - Election of Directors."

- The requirement that all member of the audit committee qualify as "independent directors" within the meaning of NASDAQ rules. Our audit committee is currently comprised of four members. One of the members of our audit committee does not qualify as an independent director within the meaning of NASDAQ rules. However, our Board of Directors has determined that such director satisfies the independence requirements of the Securities and Exchange Commission and satisfies the requirements of Israeli law for audit committee members.

- The requirements with respect to compensation of executive compensation. In accordance with Israeli law, the compensation of our executive officers other than our chief executive officer (who is also a director) is determined by our compensation and stock option committee, and exculpation, insurance and indemnification of, or an undertaking to, indemnify our executive officers who are not directors requires the approval of both our audit committee and compensation and stock option committee. The compensation of our chief executive officer, who also serves as the chairman of our Board of Directors, is approved by our audit committee, compensation and stock option committee and shareholders, in that order. Our compensation and stock option committee is comprised of three members, each of whom is an independent director within the meaning of NASDAQ rules.

PART III

ITEM 17: FINANCIAL STATEMENTS

Not applicable.

ITEM 18: FINANCIAL STATEMENTS

The Consolidated Financial Statements and related notes required by this item are contained on pages F-1 through F-61 hereof.

ITEM 19: EXHIBITS

1.1 Memorandum of Association, as amended. Previously filed as Exhibit 1.1 to our Annual Report on Form 20-F for the fiscal year ending December 31, 2000, which Exhibit is incorporated herein by reference.

1.2 Articles of Association, as amended and restated. Previously filed as Exhibit 1.2 to our Annual Report on Form 20-F for the fiscal year ending December 31, 2008, which Exhibit is incorporated herein by reference.

2.1 Form of 4.00% Convertible Subordinated Note due 2012. Previously filed as Exhibit T3C to our Form T-3 (No. 022-28667), which Exhibit is incorporated herein by reference.

4.1 Sublease and Master Deed of Lease dated as of March 28, 2001 by and among BP III Leasco, LLC as Sublessor, BP Tysons, LLC as Landlord and Spacenet Real Estate Holdings, LLC as Sublessee and Master Tenant. Previously filed as Exhibit 4.7 to our Annual Report on Form 20-F for the fiscal year ending December 31, 2000, which Exhibit is incorporated herein by reference.

4.2 Agreement and Plan of Merger by and among Gilat Satellite Networks Ltd., Spacenet Inc., Wideband Acquisition Corporation, Wavestream Corporation and Shareholders Representative Services LLC, dated October 12, 2010.

4.3 Unit Purchase Agreement among Spacenet Integrated Government Solutions, Inc., Raysat Antenna Systems, LLC and Others, dated as of March 17, 2010.

4.4 Summary of material provisions of the loan documents between Gilat Satellite Networks Ltd. and First International Bank of Israel, dated December 14, 2010.

8.1 List of subsidiaries.

12.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.

12.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.

13.1 Certification by Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

13.2 Certification by Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

15.1 Consent Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

GILAT SATELLITE NETWORKS LTD.

By: /s/ Amiram Levinberg
Amiram Levinberg
Chairman of the Board of Directors and
Chief Executive Officer

Date: April 12, 2011

GILAT SATELLITE NETWORKS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2010

IN U.S. DOLLARS
INDEX

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

GILAT SATELLITE NETWORKS LTD.

We have audited the accompanying consolidated balance sheets of Gilat Satellite Networks Ltd. (the "Company") and its subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows, for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 12, 2011, expressed an unqualified opinion thereon.

Tel-Aviv, Israel
April 12, 2011

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

	December 31,	
	2010	**2009**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 57,238	$ 122,672
Short-term bank deposits	-	31,729
Short-term restricted cash	3,839	1,782
Restricted cash held by trustees	1,004	2,137
Trade receivables, net	51,994	45,597
Inventories	29,612	13,711
Other current assets	22,973	19,068
Total current assets	166,660	236,696
LONG-TERM INVESTMENTS AND RECEIVABLES:		
Severance pay funds	10,572	9,912
Long-term restricted cash	4,583	4,896
Long-term trade receivables, receivables in respect of capital leases and other receivables	6,538	2,204
Total long-term investments and receivables	21,693	17,012
PROPERTY AND EQUIPMENT, NET	103,490	100,532
INTANGIBLE ASSETS AND DEFERRED CHARGES, NET	57,453	2,988
GOODWILL	106,082	-
Total assets	$ 455,378	$ 357,228

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

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	December 31,	
	2010	**2009**
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank credit	$ 2,129	$ -
Current maturities of long-term loans and convertible subordinated notes	2,186	5,220
Trade payables	18,267	16,838
Accrued expenses	24,591	20,067
Short-term advances from customers held by trustees	1,004	2,137
Other current liabilities	39,675	28,154
Total current liabilities	87,852	72,416
LONG-TERM LIABILITIES:		
Long-term loans, net	45,202	9,830
Accrued severance pay	10,579	10,011
Accrued interest related to restructured debt	575	1,176
Convertible subordinated notes	14,379	15,220
Other long-term liabilities	32,678	16,280
Total long-term liabilities	103,413	52,517
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Share capital - Ordinary shares of NIS 0.2 par value: Authorized - 60,000,000 shares as of December 31, 2010 and 2009; Issued and outstanding - 40,697,831 and 40,272,733shares as of December 31, 2010 and 2009, respectively	1,855	1,832
Additional paid-in capital	865,080	863,337
Accumulated other comprehensive income	774	1,341
Accumulated deficit	(603,596)	(634,215)
Total equity	264,113	232,295
Total liabilities and equity	$ 455,378	$ 357,228

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

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

	Year ended December 31,		
	2010	**2009**	**2008**
Revenues:			
Products	$ 120,255	$ 91,407	$ 150,351
Services	112,730	136,652	117,175
Total revenues	232,985	228,059	267,526
Cost of revenues:			
Products	61,975	56,672	80,424
Services	91,156	100,956	101,150
Total cost of revenues	153,131	157,628	181,574
Gross profit	79,854	70,431	85,952
Operating expenses:			
Research and development, net	18,945	13,970	16,942
Selling and marketing	33,396	29,138	35,783
General and administrative	29,844	27,987	29,819
Costs related to acquisition transactions	3,842	-	-
Impairment of long-lived assets and other charges	-	-	5,020
Total operating expenses	86,027	71,095	87,564
Operating loss	(6,173)	(664)	(1,612)
Financial income (expenses), net	(557)	1,050	1,300
Expenses related to aborted merger transaction	-	-	(2,350)
Other income	37,360	2,396	2,983
Income before taxes on income	30,630	2,782	321
Taxes on income	11	904	1,445
Net income (loss)	$ 30,619	$ 1,878	$ (1,124)
Net earnings (loss) per share:			
Basic	$ 0.76	$ 0.05	$ (0.03)
Diluted	$ 0.73	$ 0.04	$ (0.03)
Weighted average number of shares used in computing net earnings (loss) per share:			
Basic	40,466,906	40,159,431	39,901,019
Diluted	41,985,158	41,473,515	39,901,019

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

STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands (except share data)

	Number of Ordinary shares (in thousands)	Share capital	Additional paid-in capital	Accumulated other comprehensive income ***)	Accumulated deficit	Total comprehensive income (loss)	Total shareholders' equity
Balance as of January 1, 2008	39,612	1,796	859,207	1,776	(634,969)		227,810
Exercise of stock options and issuance of restricted share units	437	25	2,491	-	-		2,516
Stock-based compensation related to employee stock options	-	-	692	-	-		692
Comprehensive loss:							
Foreign currency translation adjustments	-	-	-	(766)	-	$ (766)	(766)
Unrealized gain on forward contracts, net	-	-	-	1,096	-	1,096	1,096
Net loss	-	-	-	-	(1,124)	(1,124)	(1,124)
Total comprehensive loss						$ (794)	
Balance as of December 31, 2008	40,049	1,821	862,390	2,106	(636,093)		230,224
Issuance of restricted share units	224	11	-	-	-		11
Stock-based compensation related to employee stock options	-	-	937	-	-		937
Conversion of convertible subordinated notes	**)	*)	10	-	-		10
Comprehensive income:							
Foreign currency translation adjustments	-	-	-	(85)	-	$ (85)	(85)
Unrealized gain on forward contracts, net	-	-	-	458	-	458	458
Realized gain on forward contracts, net	-	-	-	(1,138)	-	(1,138)	(1,138)
Net income	-	-	-	-	1,878	1,878	1,878
Total comprehensive income						$ 1,113	
Balance as of December 31, 2009	40,273	1,832	863,337	1,341	(634,215)		232,295
Issuance of restricted share units	422	23	-	-	-		23
Stock-based compensation related to employee stock options	-	-	1,726	-	-		1,726
Conversion of convertible subordinated notes	**) -	*) -	1	-	-		1
Exercise of stock options	3	*) -	16	-	-		16
Comprehensive income:							
Foreign currency translation adjustments	-	-	-	(151)	-	$ (151)	(151)
Unrealized gain on forward contracts, net	-	-	-	613	-	613	613
Realized gain on forward contracts, net	-	-	-	(1,029)	-	(1,029)	(1,029)
Net income	-	-	-	-	30,619	30,619	30,619
Total comprehensive income						$ 30,052	
Balance as of December 31, 2010	40,698	$ 1,855	$ 865,080	$ 774	$ (603,596)		$ 264,113

*) Represents an amount lower than $ 1.
**) Represents an amount lower than 1 thousand shares.
***) Represents adjustments in respect of foreign currency translation and unrealized gain on forward contracts, net. The balance of accumulated other comprehensive income (loss) as of December 31, 2010, 2009 and 2008 included foreign currency translation adjustments in the amount of $ 774, $ 925 and $ 1,010, respectively, and unrealized gain on forward contracts, net, in the amount of $ 0, $ 416 and $1,096, respectively.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2010	**2009**	**2008**
Cash flows from operating activities:			
Net income (loss)	$ 30,619	$ 1,878	$ (1,124)
Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	14,794	14,509	13,132
Impairment of long-lived assets and other charges	-	-	5,020
Gain from redemption of convertible subordinated notes	-	(78)	-
Gain from the sale of investment accounted for at cost	(24,314)	(2,597)	(1,801)
Stock-based compensation related to employees	1,726	937	692
Accrued severance pay, net	(135)	(1,113)	1,324
Accrued interest and exchange rate differences on short and long-term restricted cash, net	(201)	256	(189)
Accrued interest, accretion of discounts and exchange rate differences on held-to-maturity marketable securities and short-term bank deposits, net	(45)	(349)	(1,778)
Exchange rate differences on long-term loans	(415)	212	(348)
Exchange rate differences on loans to employees	-	(5)	28
Capital loss from disposal of property and equipment	270	163	89
Deferred income taxes	(250)	992	(265)
Decrease (increase) in trade receivables, net	(1,562)	14,294	(15,979)
Decrease (increase) in other assets (including short-term, long-term and deferred charges)	(5,559)	6,530	(2,535)
Decrease (increase) in inventories	(2,946)	8,995	36
Decrease in trade payables	(4,759)	(6,855)	(3,185)
Increase (decrease) in accrued expenses	2,256	(6,034)	3,640
Increase (decrease) in advances from customers held by trustees, net	(1,133)	(22,032)	176
Increase (decrease) in other accounts payable and other long-term liabilities	4,574	(9,909)	(16,553)
Net cash provided by (used in) operating activities	12,920	(206)	(19,620)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Year ended December 31,		
	2010	**2009**	**2008**
Cash flows from investing activities:			
Purchase of property and equipment	(7,638)	(4,485)	(13,799)
Proceeds from sale of investment accounted for at cost	24,314	2,597	1,801
Other investments	-	-	(195)
Purchase of held-to-maturity marketable securities and deposits	(30,693)	(130,961)	(143,572)
Proceeds from held-to-maturity marketable securities and deposits	62,384	162,615	127,895
Purchase of available-for-sale marketable securities	(4,804)	-	-
Proceeds from available-for-sale marketable securities	4,888	-	-
Proceeds from sale of property and equipment	-	-	426
Loans to employees, net	14	39	2,798
Investment in restricted cash (including long-term)	(2,941)	(90)	(1,630)
Proceeds from restricted cash (including long-term)	1,339	7,696	769
Investment in restricted cash held by trustees	(12,346)	(3,056)	-
Proceeds from restricted cash held by trustees	13,673	24,834	-
Acquisitions of subsidiaries, net of cash acquired (a,b)	(153,883)	-	-
Patents and marketing rights	(2,515)	-	-
Net cash provided by (used in) investing activities	(108,208)	59,189	(25,507)
Cash flows from financing activities:			
Exercise of stock options and issuance of restricted share units	39	11	2,516
Early redemption of convertible notes	-	(170)	-
Repayment of convertible debt	(839)	-	-
Short-term bank credit, net	(946)	(6,500)	678
Proceeds from long-term loans	40,000	-	-
Repayment of long-term loans	(8,409)	(4,350)	(5,362)
Net cash provided by (used in) financing activities	29,845	(11,009)	(2,168)
Effect of exchange rate changes on cash and cash equivalents	9	782	(1,596)
Increase (decrease) in cash and cash equivalents	(65,434)	48,756	(48,891)
Cash and cash equivalents at the beginning of the year	122,672	73,916	122,807
Cash and cash equivalents at the end of the year	$ 57,238	$ 122,672	$ 73,916

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

		Year ended December 31,		
		2010	2009	2008
Supplementary cash flow activities:				
(1)	Cash paid during the year for:			
	Interest	$ 1,334	$ 1,546	$ 2,160
	Income taxes	$ 400	$ 698	$ 1,180
(2)	Non-cash transactions:			
	Conversion of long-term convertible subordinated notes	$ 1	$ 10	$ -
	Classification from inventories to property and equipment	$ 717	$ 806	$ 3,483
	Classification from property and equipment to inventories	$ 128	$ 2,497	$ 62

		Year ended December 31, 2010
(a)	Payment for the acquisition of RAS (see also Note 1d):	
	Estimated fair value of assets acquired and liabilities assumed at the acquisition date:	
	Working capital (excluding cash and cash equivalents)	$ (4,727)
	Property and equipment, net	3,147
	Intangible assets	9,778
	Goodwill	20,162
	Other non-current assets	2,144
	Long-term liabilities	(3,436)
		27,068
	Deferred Payment	(751)
		$ 26,317

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

U.S. dollars in thousands

(b) Payment for the acquisition of Wavestream (see also Note 1e):

Estimated fair value of assets acquired and liabilities assumed at the acquisition date:

	Year ended December 31, 2010
Working capital (excluding cash and cash equivalents)	$ 4,816
Property and equipment, net	3,513
Other non-current assets	355
Goodwill	85,920
Intangible assets	43,568
Long-term liabilities *)	(9,097)
	129,075
Contingent consideration	(1,509)
	$ 127,566

*) Mainly deferred tax liabilities

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

NOTE 1: GENERAL

a. Organization:

Gilat Satellite Networks Ltd. (the "Company" or "Gilat") and its subsidiaries (the "Group") is a global provider of Internet Protocol, or IP, based digital satellite communication and networking products and services. The Group designs, produces and markets VSATs, or very small aperture terminals, and related VSAT network equipment. VSATs are earth based terminals that transmit and receive broadband, Internet, voice, data and video via satellite. VSAT networks combine a large central earth station, called a hub, with multiple remote sites (ranging from tens to thousands of sites), which communicate via satellite. In addition, following the acquisition of Raysat Antenna Systems ("RAS") (see also Note 1d) on July 1, 2010, the group develops and provides Satcom On The Move antenna solutions and following the acquisition of Wavestream (see also Note 1e) on November 29, 2010, the Group develops and designs high power solid state amplifiers (SSPA) for military and commercial broadband communications, radar and imaging.

Gilat was incorporated in Israel in 1987 and launched its first generation VSAT in 1989.

For a description of principal markets and customers, see Note 14.

Starting 2010 and following the acquisition of Wavestream the Group operates four complementary, operational and reportable segments:

- Gilat worldwide which is comprised of two reportable segments:
  - Gilat International (previously known as Gilat Network Systems or "GNS"), a provider of VSAT-based networks and associated professional services, including turnkey and management services, to telecom operators worldwide. Since the acquisition of RAS during 2010, Gilat International is also a provider of low-profile antennas, used for satellite-on-the-move communications (Satcom-OnThe-Move) antenna solutions, and
  - Gilat Peru & Colombia (previously known as Spacenet Rural Communications or "SRC" segment), a provider of telephony, Internet and data services primarily for rural communities in Peru and Colombia under projects that are subsidized by government entities.
- Spacenet Inc. ("Spacenet"), a provider of satellite network services to enterprises, small office/home office ("SOHOs") and residential customers in the U.S.
- Wavestream Corp. ("Wavestream"), a provider of high power solid state amplifiers (SSPA) Block Upconverters (BUCs) with field-proven, high performance solutions designed for mobile and fixed satellite communication (SATCOM) systems worldwide, primarily in the defense market. Wavestream is currently concentrated on sales to government defense agencies which account for most of its revenues, mainly the U.S. Department of Defense, pursuant to contracts awarded to system integrators under defense-related programs.

b. Impairment of long-lived assets and other charges:

In 2008, the Group recorded losses for the impairment of its long-lived assets and other charges with respect to its Colombian activity included in the Gilat Peru & Colombia segment, in the amount of $ 5,020, see also Note 10.

NOTE 1: - GENERAL (Cont.)

c. Aborted Agreement and Plan of Merger (the "Agreement and Plan of Merger"):

On March 31, 2008 the Company announced the signing of an Agreement and Plan of Merger to be acquired for $ 475,000 in an all cash transaction by a consortium of private equity investors. The closing of the transaction was subject to shareholders' approval, certain regulatory approvals and other customary closing conditions.

On August 5, 2008 the Company informed the consortium that all conditions precedent to closing had been met.

On August 29, 2008, the Company notified the consortium that it was terminating the Agreement and Plan of Merger citing the consortium's intentional breach of the merger agreement and failure to close the merger transaction within the time period established to complete the transaction.

The definitive agreement provided for a termination fee in the amount of approximately $ 47,500 payable to the Company, and the Company sued the consortium members for this amount. In August 2010, the Company signed settlement agreements with each of the consortium members. Under the terms of the settlement agreements, the Company will receive an aggregate of approximately $ 20,000, over half of which was already received on October 1, 2010 with the remainder to be received in annual installments ending in October 2013. The settlement agreements were reached as part of mediation proceedings that began in 2009.

d. Business combination - acquisition of RAS:

In March 2010 and in April 2010, the Company entered into definitive agreements to acquire all of the units of Raysat Antenna Systems ("RAS LLC"), a provider of Satcom On The Move antenna solutions, and all of the shares of RaySat BG ("Raysat BG"), a Bulgarian research and development center for total consideration of $ 25,200 and $ 3,300 respectively, in cash. During July and August 2010, the Company closed the acquisitions of both entities. In conjunction with these transactions, the Company also acquired patents and marketing rights in the field of two-way SatCom on the Move antennas in the amount of $ 2,500.

The excess of total acquisition costs over the fair value of net tangible and identifiable intangible assets on acquisition amounting to $ 20,162 and was attributable to goodwill. An amount of approximately $ 13,500 out of total goodwill is allocated to the Spacenet segment and the remainder amounting to $ 6,662 is allocated to the Gilat International segment.

The derived goodwill from these acquisitions is attributable to addition capabilities of the Group to expand products and technology offering, to augment capabilities of current products and the ability of entering new markets. An amount of $ 10,800 related to the above goodwill is deductible for tax purposes.

U.S. dollars in thousands

NOTE 1: - GENERAL (Cont.)

Technology, customer relationships and backlog deriving from acquisitions in the total amount of $ 9,333 are amortized at an annual weighted average of approximately 8 years.

In process research and development deriving from the acquisition in the amount of $ 445 represents incomplete research and development projects that have not reached technological feasibility on date of the acquisition. Upon completion of development, the acquired in process research and development will be considered finite-lived assets and will be amortized accordingly at an annual weighted average of 9.5 years.

Under purchase method of accounting the purchase price was allocated to the identifiable intangible assets acquired and liabilities assumed based upon their estimated fair values as follows:

Cash	$	1,396
Other current assets		3,140
Non-current assets		2,144
Property and equipment		3,147
Intangible assets:		
Technology		7,963
Customer relationships		1,279
Backlog		91
In process research and development		445
Goodwill		20,162
Current liabilities		(7,867)
Long-term liabilities		(3,437)
Net assets acquired	$	28,463

e. Business combination - acquisition of Wavestream Corporation ("Wavestream"):

On November 29, 2010 the Group completed the acquisition of all shares of Wavestream, a provider of high power solid state amplifiers.

Wavestream was acquired for approximately $ 135,000 out of which an amount of $ 2,500 represents the fair value of the potential contingent consideration according to the Company's management estimation and was accrued in the Group's financial statements. The contingent consideration may earn out up to $ 6,800 and is based on revenues target of Wavestream in 2011. The Company classified the contingent considerations as a liability as of the date of the transaction.

The excess of total acquisition costs over the fair value of net tangible and identifiable intangible assets on acquisition amounting to $ 85,920 and was attributed to goodwill and was allocated in its entirety to the Wavestream segment. This amount of goodwill is not deductible for tax purposes.

U.S. dollars in thousands

NOTE 1: - GENERAL (Cont.)

The derived goodwill from this acquisition is attributable to the addition capabilities of the Group to expand products and technology offering, to augment capabilities of current products and the ability of entering the military and defense markets.

Technology, customer relationships and backlog in the amount of $ 43,568 are amortized at an annual weighted average of 7.5 years.
The following table summarizes the estimated fair values of Wavestream's assets acquired and liabilities assumed and related deferred income taxes as of the acquisition date:

Cash	$ 5,873
Other current assets	18,425
Non-current assets	355
Property and equipment	3,513
Intangible assets:	
Technology	40,040
Customer relationships	3,187
Backlog	341
Goodwill	85,920
Current liabilities	(13,609)
Long-term liabilities *)	(9,097)
Net assets acquired	$ 134,948

*) Mainly attributed to deferred tax liabilities.

Subsequent to December 31, 2010, the Company identified certain indicators that may affect the carrying value of goodwill and/or other intangibles assets attributed to Wavestream. Should those indicators sustain, the Company will be required to perform an interim impairment analysis that may affect the carrying value of goodwill and other intangibles assets or the amortization period of those intangible assets. The Company may also be required to reassess the value attributed to its contingent consideration obligation.

f. Unaudited pro forma condensed results of operations:

The following represents the unaudited pro forma condensed results of operations for the years ended December 31, 2009 and 2010 assuming that the acquisitions of RAS and Wavestream occurred on January 1, 2009. The pro forma information is not necessarily indicative of the results of operations, which actually would have occurred had the acquisitions been consummated on those dates, nor does it purport to represent the results of operations for future periods.

	Year ended December 31, 2010	31, 2009
	Unaudited Total Consolidated	
Revenues	$ 304,021	$ 294,225
Net income / (loss)	$ 43,600	$ (855)
Basic net earnings / (losses) per share	$ 1.08	$ (0.02)
Diluted net earnings / (losses) per share	$ 1.04	$ (0.02)

NOTE 1: - GENERAL (Cont.)

g. The Company depends on a major supplier to supply certain components and services for the production of its products or providing services. If this supplier fails to deliver or delay the delivery of the necessary components or services, the Company will be required to seek alternative sources of supply. A change in suppliers could result in manufacturing delays or services delays which could cause a possible loss of sales and, or, additional incremental costs and, consequently, could adversely affect the Company's results of operations and financial position.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

a. Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

b. Functional currency:

The majority of the revenues of the Company and certain of its subsidiaries are generated in U.S. dollars ("dollar") or linked to the dollar. In addition, a substantial portion of the Company's and certain of its subsidiaries' costs are incurred in dollars. The Company's management believes that the dollar is the primary currency of the economic environment in which the Company and certain of its subsidiaries operate. Thus, the functional and reporting currency of the Company and certain of its subsidiaries is the dollar.

Accordingly, monetary accounts maintained in currencies other than the dollar are remeasured into dollars in accordance with ASC 830, "Foreign Currency Matters" ("ASC 830") (formerly: SFAS No.52, "Foreign Currency Translation). All transaction gains and losses of the remeasurement of monetary balance sheet items are reflected in the consolidated statements of operations as financial income or expenses, as appropriate.

The financial statements of foreign subsidiaries, whose functional currency has been determined to be their local currency, have been translated into dollars. Assets and liabilities have been translated using the exchange rates in effect at the balance sheet date. Statements of operations amounts have been translated using average rates, which approximates the prevailing exchange rate for each transaction. The resulting translation adjustments are reported as a component of equity in accumulated other comprehensive income (loss).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, in which the Company has a controlling voting interest and entities consolidated under the variable interest entities ("VIE") provisions of ASC 810, "Consolidation" ("ASC 810") (formerly: Financial Accounting Standards Board ("FASB") Interpretation No. 46 (R), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46")). Inter-company balances and transactions have been eliminated upon consolidation.

The Company applies the provisions of ASC 810 which provides a framework for identifying VIEs and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited-liability corporation, trust, or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that is unable to make significant decisions about its activities, (3) has a group of equity owners that does not have the obligation to absorb losses or the right to receive returns generated by its operations or (4) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities (for example, providing financing or buying assets) either involve or are conducted on behalf of an investor that has disproportionately few voting rights.

ASC 810 requires a VIE to be consolidated by the party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) that has both of the following characteristics: a) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on a majority voting interest. ASC 810 also requires disclosures about VIEs in which the variable interest holder is not required to consolidate but in which it has a significant variable interest.

Most of the activity of Gilat Colombia in Colombia consists of operating subsidized projects for the government (the "Compartel Projects"). The Compartel Projects were awarded to Gilat's Colombian subsidiaries in 1999 and 2002.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

As required by the Compartel Projects' bid documents, the Group established trusts (the "Trusts") and entered into governing Trust Agreements (one for each project awarded) (collectively, the "Trust Agreements"). The Trusts were established for the purpose of holding the network equipment, processing payments to subcontractors, and holding the funds received through the subsidy ("the Subsidy") until they are released in accordance with the terms of the Subsidy and paid to the Group. The Trusts are a mechanism to allow the Government to review amounts to be paid with the Subsidy and verify that such funds are used in accordance with the transaction document of the project and the terms of the Subsidy. The Group generates revenues from the subsidy, as well as from the use of the network that the Group operates.

The Trusts are considered VIEs and the Group is identified as the primary beneficiary of the Trusts.

Under ASC 810 the Company performs ongoing reassessments of whether it is the primary beneficiary of a variable interest entity. As the Company's management assessment provides that the Company has the power to direct the activities of a VIE that most significantly impact the VIE's activities (it is responsible for establishing and operating the networks), and the obligation to absorb losses of the VIE that could potentially be significant to the VIE and the right to receive benefits from the VIE that could potentially be significant to the VIE economic performance, it was therefore concluded by management that the Company is the primary beneficiary of the Trusts. As such, the Trusts were consolidated in the financial statements of the Company since their inception.

As of December 2010 and 2009, the Trust's total assets, classified as "Restricted cash held by trustees" and total liabilities, classified as "Short-term advances from customers held by trustees" consolidated within the financial statements of the Company amounted to $ 1,004 and $ 2,137, respectively.

d. Cash equivalents:

Cash equivalents are short-term highly liquid investments that are not restricted as to withdrawals or use with maturities of three months or less at the date acquired.

e. Short-term and long-term restricted cash:

Short-term restricted cash is primarily invested in certificates of deposit, which mature within one year. As of December 31, 2010, the vast majority of this amount was linked to the dollar. It is used as collateral for the lease of the Group's offices, performance guarantees to customers and loans, and bears weighted average interest rates of 1.64% and 1.40% as of December 31, 2010 and 2009, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Long-term restricted cash is primarily invested in certificates of deposit, which mature in more than one year. As of December 31, 2010, the vast majority of the amount is linked to the dollar. It bears annual weighted average interest rates of 0.35% and 0.24% as of December 31, 2010 and 2009, respectively. This long-term restricted cash is used as collateral for the lease of the Group's offices, a sale and lease back transaction, performance guarantees to customers and loans.

f. Restricted cash held by trustees:

As of December 31, 2010, short-term restricted cash held by trustees is invested in a savings bank account linked to the Colombian Peso. As of December 31, 2009, the amount was primarily invested in certificates of deposit linked to the Colombian Peso. The restricted cash is being released based upon performance milestones as stipulated in the Group's agreements with the government of Colombia.

g. Inventories:

Inventories are stated at the lower of cost or market value. Inventory write-offs are provided to cover risks arising from slow-moving items, excess inventories, discontinued products, new products introduction and for market prices lower than cost. Any write-off is recognized in the consolidated statement of operations as cost of revenue.

Cost is determined as follows:

Raw materials, parts and supplies - with the addition of allocable indirect manufacturing costs using the average cost method.

Work-in-progress - represents the cost of manufacturing with the addition of allocable indirect manufacturing costs, using the average cost method.

Finished products - calculated on the basis of direct manufacturing costs with the addition of allocable indirect manufacturing costs, using the average cost method.

The cost of Wavestream's inventory for each of the inventory types is determined using the first-in-first-out (FIFO) method.

h. Investment in other companies:

The investment in these companies is stated at cost since the Group does not have the ability to exercise significant influence over operating and financial policies of the investments.

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group's investments in other companies are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable in accordance with ASC 323, "Investments - Equity Method and Joint Ventures" (formerly: APB 18, "The Equity Method of Accounting for Investments in Common Stock"). Any impairment loss is recognized in the consolidated statements of operations. As of December 31, 2010 and 2009, the investment in these companies was nil.

i. Long-term trade receivables:

Long-term trade receivables from long-term payment agreements are initially recognized at estimated present values determined based on rates of interest at recognition date and reported at the net amounts in the accompanying consolidated financial statements. Imputed interest is recognized, using the effective interest method, as a component of financial income (expenses) in the statements of operations.

j. Property and equipment, net:

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

	Years
Buildings	50
Computers, software and electronic equipment	3 - 7
Office furniture and equipment	5 - 17
Vehicles	5 - 7
Leasehold improvements	Over the term of the lease or the useful life of the improvements, whichever is shorter

Equipment leased to others under operating leases is carried at cost less accumulated depreciation and depreciated using the straight-line method over the useful life of the assets.

k. Intangible assets and deferred charges:

Intangible assets subject to amortization are initially recognized based on the fair value allocated to them, and subsequently stated at amortized cost. The assets are amortized over their estimated useful lives using the straight line method over an estimated period during which benefits are expected to be received, in accordance with ASC 350, "Intangible - Goodwill and Other" ("ASC 350") (formerly: Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets") as the follows weighted average in years:

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	Years
Technology	7.8
Customer Relationships	6.8
Marketing Rights and Patents	12.3
In process research and development *)	9.5
Backlog	1

*) Will be amortized upon completion of the research and development process.

As of December 31, 2010 no impairment losses have been identified. (See also Note 2m).

Deferred charges represent costs related to the deferred revenue. Such costs are recognized when the related revenues are recognized. Deferred charges are presented on the balance sheet under other current assets, if it will be recognized within a year after the balance sheet date and under intangible assets and deferred charges, if it will be recognized in more than one year after the balance sheet date.

l. Goodwill:

Goodwill represents the excess of the purchase price in a business combination over the fair value of the net tangible and intangible assets acquired. Under ASC 350 (formerly SFAS No. 142), goodwill is not amortized, but rather is subject to an annual impairment test.

ASC 350 requires goodwill to be tested for impairment at least annually or between annual tests in certain circumstances, and written down when impaired. Goodwill is tested for impairment by comparing the fair value of the reporting unit with its carrying value. Fair value is determined using discounted cash flows. Significant estimates used in the fair value methodologies include estimates of future cash flows, future growth rates and the weighted average cost of capital of the reporting units. The Group has elected to perform the annual impairment tests in the fourth quarter of the year and did not identify any impairment losses as of December 31, 2010.

Subsequent to December 31, 2010, the Company identified certain indicators that may affect the carrying value of goodwill and/or other intangibles assets attributed to Wavestream. Should those indicators sustain, the Company will be required to perform an interim impairment analysis that may affect the carrying value of goodwill and other intangibles assets or the amortization period of those other intangible assets. The Company may also be required to reassess the value attributed to its contingent consideration obligation.

m. Impairment of long-lived assets and long-lived assets to be disposed of:

The Group's long-lived assets are reviewed for impairment in accordance with ASC 360, "Property, Plant, and Equipment" ("ASC 360") (formerly: SFAS 144, "Accounting for the Impairment or Disposal of Long Lived Assets"), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the assets. Such measurement includes significant estimates. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. However, the carrying amount of a group of assets is not to be reduced below its fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In 2010 and 2009, no impairment losses have been identified. In 2008, the Group recorded impairment losses in respect of long-lived assets related to its Gilat Peru & Colombia operational segment in Colombia. See also Note 10 and Note 1 e.

n. Revenue recognition:

The Group generates revenue mainly from the sale of products and services for satellite-based communications networks. Sale of products includes mainly the sale of VSATs and hubs. Service revenue include access to and communication via satellites ("space segment"), installation of network equipment, telephone services, internet services, consulting, on-line network monitoring, network maintenance and repair services. The Group sells its products primarily through its direct sales force and indirectly through resellers or system integrators. Sales consummated by the Group's sales force and sales to resellers or system integrators are considered sales to end-users.

Revenue from product sales is recognized in accordance with SEC Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition" ("SAB No. 104"), when delivery has occurred, persuasive evidence of an agreement exists, the vendor's fee is fixed or determinable, no further obligation exists and collectability is probable. When significant acceptance provisions are included in the arrangement revenue are deferred until the acceptance occurs. Generally, the Group does not grant rights of return. Revenues from services is recognized
recognized ratably over the period of the contract or as services are performed, as applicable.

In accordance with ASC 605-25, "Revenue Recognition - Multiple-Element Arrangements" ("ASC 605-25") (formerly: Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21")), a multiple-element arrangement (an arrangement that involves the delivery or performance of multiple products, services and/or rights to use assets) is separated into more than one unit of accounting, if the functionality of the delivered element(s) is not dependent on the undelivered element(s), there is vendor-specific objective evidence (VSOE) of fair value of the undelivered element(s) and delivery of the delivered element(s) represents the culmination of the earnings process for those element(s). If these criteria are not met, the revenue is deferred until such criteria are met or until the period in which the last undelivered element is delivered. If there is VSOE for all units of accounting in an arrangement, the arrangement consideration is allocated to the separate units of accounting based on each unit's relative VSOE.

Revenue from products under sales-type lease contracts is recognized in accordance with ASC 840, "Leases" ("ASC 840") (formerly: SFAS No. 13, "Accounting for Leases") upon installation or upon delivery, in cases where the customer obtains its own or other's installation services. The net investments in sales-type leases are discounted at the interest rates implicit in the leases. The present values of payments due under sales-type lease contracts are recorded as revenue at the time of shipment or installation, as appropriate. Future interest income is deferred and recognized over the related lease term as financial income.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue from products and services under operating leases of equipment is recognized ratably over the lease period, in accordance with ASC 840.

Deferred revenue represents amounts received by the Group when the criteria for revenue recognition as described above are not met and are included in "Other current liabilities" and "Other long-term liabilities". In general, when deferred revenue is recognized as revenue, the associated deferred costs are also recognized as cost of sales.

o. Shipping and advertising expenses:

Selling and marketing expenses include shipping expenses in the amounts of $ 3,945, $ 2,503 and $ 2,102, for the years ended December 31, 2010, 2009 and 2008, respectively.

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2010, 2009 and 2008 amounted to $ 859, $ 722 and $ 878, respectively.

p. Warranty costs:

Generally, the Group provides product warranties for periods between twelve to eighteen months at no extra charge. A provision is recorded for estimated warranty costs based on the Group's experience. Warranty expenses for the years ended December 31, 2010, 2009 and 2008 were immaterial.

q. Research and development expenses:

Research and development expenses, net of grants received, are charged to expenses as incurred.

r. Grants:

The Group received non-royalty-bearing grants from the Government of Israel and from other funding sources, for approved research and development projects. These grants are recognized at the time the Group is entitled to such grants on the basis of the costs incurred or milestones achieved as provided by the relevant agreement and included as a deduction from research and development expenses.

Research and development grants deducted from research and development expenses amounted to $ 3,249, $ 2,311 and $ 1,760 in 2010, 2009 and 2008, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

s. Accounting for stock-based compensation:

The Group accounts for stock-based compensation in accordance with ASC 718, "Compensation-Stock Compensation" ("ASC 718") (formerly: SFAS No.123R, "Share-Based Payment"). ASC 718 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statement of operations.

The Group recognizes compensation expenses for the value of its awards, which vested and were granted prior to January 1, 2006, based on the accelerated attribution method and for awards granted subsequent to January 1, 2006, based on the straight line method over the requisite service period of each of the awards, net of estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Group selected the Black-Scholes-Merton option pricing model as the most appropriate fair value method for its stock-options awards and values restricted stock based on the market value of the underlying shares at the date of grant. The option-pricing model requires a number of assumptions, of which the most significant are the expected stock price volatility and the expected option term. Expected volatility was calculated based upon actual historical stock price movements. The expected term of options granted is based upon historical experience and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on the yield from U.S. treasury bonds with an equivalent term. The Group has historically not paid dividends and has no foreseeable plans to pay dividends.

The Group accounts for equity instruments issued to third party service providers (non-employees) in accordance with the fair value based on an option-pricing model, pursuant to the guidance in ASC 505-50, "Equity-Based Payments to Non-Employees" ("ASC 505-50") (formerly: EITF 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services"). The fair value of the options granted is revalued over the related service periods and recognized over the vesting period. (See also Note 8).

t. Income taxes:

The Group accounts for income taxes in accordance with ASC 740, "Income Taxes" ("ASC 740") (formerly: SFAS No. 109, "Accounting for Income Taxes"). ASC 740 prescribes the use of the liability method whereby deferred tax assets and liability account balances are determined based on differences between the financial reporting and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Group provides a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value, if it is more likely than not that a portion or all of the deferred tax assets will not be realized.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Group accounts for uncertain tax position in accordance with ASC 740-10, "Income Taxes" ("ASC 740-10") , as amended by FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" ("FIN 48"). ASC 740-10 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740-10 utilizes a two-step approach for evaluating tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) is only addressed if step one has been satisfied (i.e., the position is more-likely-than-not to be sustained) otherwise a full liability in respect of a tax position not meeting the more-than-likely-than-not criteria is recognized.

Under step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis that is more-likely-than-not to be realized upon ultimate settlement.

ASC 740-10, as amended by FIN 48, applies to all tax positions related to income taxes subject to ASC 740. This includes tax positions considered to be "routine" as well as those with a high degree of uncertainty. FIN 48 has expanded disclosure requirements, which include a tabular roll forward of the beginning and ending aggregate unrecognized tax benefits as well as specific detail related to tax uncertainties for which it is reasonably possible the amount of unrecognized tax benefit will significantly increase or decrease within twelve months (See also Note 11).

u. Concentrations of credit risks:

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, short-term bank deposits, short-term and long-term restricted cash, short-term restricted cash held by trustees, trade receivables, short-term and long-term receivables relating to capital leases and long-term trade receivables.

The majority of the Group's cash and cash equivalents, short-term bank deposits, and short-term and long-term restricted cash are invested in U.S dollars with major banks in Israel and in the United States. Such deposits in the United States may be in excess of insured limits and are not insured in other jurisdictions. Generally, these cash equivalents may be redeemed upon demand and, therefore management believes that they bear lower risk.

The Group also has restricted cash held by trustees, which is invested in Colombian Peso with major banks in Colombia. As of December 31, 2010, restricted cash held by the trustees amounted to $ 1,004. The Group is entitled to receive the restricted cash held by the trustee in stages based upon operational milestones. The cash held in trusts is reflected in the Company's balance sheet as "Restricted cash held by trustees".

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Trade receivables, short-term and long-term receivables relating to capital leases and long-term trade receivables of the Group are mainly derived from sales to major customers located in the U.S., Europe, Asia, South America and Africa. The Group performs ongoing credit evaluations of its customers and obtains letters of credit and bank guarantees for certain receivables. An allowance for doubtful accounts is determined with respect to specific debts that the Group has determined to be doubtful of collection.

During 2010 and 2009, the Company entered into hedging agreements, with major banks in Israel, in order to hedge portions of its anticipated NIS payroll payments. These contracts are designated as cash flow hedges. Those contracts mature at the time in which the related salary payments are paid. See also Note 2(y) and Note 7.

v. Employee related benefits:

Severance pay

The Company's liability for severance pay is calculated pursuant to the Israeli Severance Pay Law based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees whose employment is terminated by the Company or who are otherwise entitled to severance pay in accordance with Israeli law or labor agreements are entitled to one month's salary for each year of employment or a portion thereof. The Company's liability for all of its Israeli employees is partly provided for by monthly deposits for insurance policies and the remainder by an accrual. The value of these policies is recorded as an asset in the Company's consolidated balance sheet.

During April and May 2008 (the" transition date"), the Company amended the contracts of most of its Israeli employees so that starting on the transition date, such employees are subject to Section 14 of the Severance Pay Law - 1963 ("Section 14") for severance pay accumulated in periods of employment subsequent to the transition date. In accordance with Section 14, upon termination, the release of the contributed amounts from the fund to the employee shall relieve the Company from any further severance liability and no additional payments shall be made by the Company to the employee. As a result, the related obligation and amounts deposited on behalf of such obligation are not stated on the balance sheet, as the Company is legally released from severance obligation to employees once the amounts have been deposited, and the Company has no further legal ownership of the amounts deposited.

The carrying value for the deposited funds for the Company's employees' severance pay for employment periods prior to April and May 2008 include profits and losses accumulated up to the balance sheet date. The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the Israeli Severance Pay Law or labor agreements.

Severance pay expenses for the years ended December 31, 2010, 2009 and 2008, amounted to approximately $ 2,317, $ 1,962 and $ 3,265, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

401K profit sharing plans

The Group has a number of savings plans in the United States that qualify under Section 401(k) of the Internal Revenue Code. U.S employees may contribute up to 100% of their pretax salary, but not more than statutory limits. Generally, the Group contributes one dollar for each dollar a participant contributes in this plan, in an amount of up to 3% and in addition, it contributes fifty cents for each dollar a participant contributes in this plan, for an additional 3%. Matching contributions for all the plans were approximately $ 610, $ 250 and $ 700 for the years ended 2010, 2009 and 2008, respectively. Matching contributions are invested in proportion to each participant's voluntary contributions in the investment options provided under the plan. Starting April 2009, the Group suspended the matching contribution and it was resumed again in February 2010.

w. Fair value of financial instruments:

The following methods and assumptions were used by the Group in estimating their fair value disclosures for financial instruments:

The carrying amounts of cash and cash equivalents, bank deposits, short-term restricted cash, restricted cash held by trustees, trade receivables, short-term bank credit and trade payables approximate their fair value due to the short-term maturity of such instruments.

The carrying amounts of the Group's long-term borrowing arrangements, long-term trade receivables and long-term restricted cash approximate their fair value. The fair value was estimated using discounted cash flow analysis, based on the Group's incremental borrowing rates for similar borrowing or investing arrangements.

The fair value of the convertible subordinated notes was determined based on management estimates that incorporate the estimated market participant expectations of future cash flow and therefore is classified as Level 3. As of December 31, 2010 and 2009, the fair value of the Company's convertible subordinated notes was $ 14,043 and $ 14,172, respectively.

x. Net earnings (loss) per share:

Basic net earnings (loss) per share are computed based on the weighted average number of Ordinary shares outstanding during each period. Diluted net earnings (loss) per share are computed based on the weighted average number of Ordinary shares outstanding during each period, plus dilutive potential Ordinary shares considered outstanding during the period, in accordance with ASC 260, "Earning per Share" ("ASC 260") (formerly: SFAS No. 128, "Earning per Share"). The total weighted average number of shares related to the outstanding options and warrants excluded from the calculations of diluted net earnings (loss) per share, as they would have been anti-dilutive, was 3,794,561, 3,931,824 and 1,145,918 for the years ended December 31, 2010, 2009 and 2008, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table sets forth the computation of basic and diluted net earnings (loss) per share:

1. Numerator:

	Year ended December 31,		
	2010	2009	2008
Numerator for basic net earnings (loss) per share -			
Net income (loss) available to holders of			
Ordinary shares	$ 30,619	$ 1,878	$ (1,124)
Less -			
Profit from redemption of convertible subordinated notes	-	(106)	-
Numerator for diluted net earnings (loss) per share	$ 30,619	$ 1,772	$ (1,124)

2. Denominator (in thousands):

Denominator for basic net earnings (loss) per share -			
Weighted average number of shares	40,467	40,159	39,901
Add-employee stock options and convertible subordinated notes	1,518	1,315	*) -
Denominator for diluted net earnings (loss) per share - adjusted weighted average shares assuming exercise of options	41,985	41,474	39,901

*) Anti-dilutive.

y. Derivatives and hedging activities:

ASC 815, "Derivatives and Hedging" ("ASC 815") (formerly: SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"), as amended, requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income (loss). If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The Company uses derivatives to hedge certain cash flow foreign currency exposures in order to further reduce the Company's exposure to foreign currency risks.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Company measured the fair value of the contracts in accordance with ASC No. 820, "Fair Value Measurement and Disclosure" ("ASC 820") at Level 2. As of December 31, 2010 the Company does not have any hedging instruments in the balance sheet.

z. Impact of recently issued accounting pronouncements:

In January 2010, the FASB updated the "Fair Value Measurements Disclosures" codified in ASC 820. More specifically, this update requires an entity to disclose (a) separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value, and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs.

As applicable to the Group, this update became effective as of the first quarter ended December 31, 2010, except for the gross presentation of the Level 3 roll forward information, which is required for annual reporting as of December 31, 2010. The adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued an update to ASC 810, "Consolidation", which, among other things (i) Requires ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity, and eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity (ii) Amends certain guidance for determining whether an entity is a variable interest entity; and (iii) Requires enhanced disclosure that will provide users of financial statements with more transparent information about an entity's involvement in a variable interest entity. The update is effective for interim and annual periods beginning after November 15, 2009. The adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements, (amendments to FASB ASC Topic 605, Revenue Recognition) (“ASU 2009-13”) and ASU 2009-14, Certain Arrangements That Include Software Elements, (amendments to FASB ASC Topic 985, Software) (“ASU 2009-14”). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-14 removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

ASU 2009-13 and ASU 2009-14 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently assessing the impact of these amendments to the ASC on its accounting and reporting systems and processes.

In February 2010, the FASB issued ASU 2010-09 - amendments to certain recognition and disclosure requirements of Subsequent Events codified in ASC 855. This update removes the requirement to disclose the date through which subsequent events were evaluated in both originally issued and reissued financial statements for "SEC Filers." An entity that is a conduit bond obligor (as defined) should evaluate subsequent events through the date that the financial statements are issued, and it should disclose the date through which subsequent events were evaluated. All other entities are required to evaluate subsequent events through the date that the financial statements are available to be issued and also must disclose that date. Other than SEC filers, all entities are required to disclose the date that financial statements are reissued only if they have been revised for an error correction or retrospective application of GAAP. The adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts codified in ASC 350, "Intangibles - Goodwill and Other". Under ASC 350, testing for goodwill impairment is a two-step test, in which Step 1 compares the fair value of the reporting unit to its carrying amount. If the fair value of the reporting unit is less than its carrying value, Step 2 is completed to measure the amount of impairment, if any. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 if it appears more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity would consider whether there are any adverse qualitative factors indicating that an impairment may exist (e.g., a significant adverse change in the business climate). The adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations codified in ASC 805, "Business Combinations". This ASU responds to diversity in practice about the interpretation of the pro forma disclosure requirements for business combinations. When a public entity’s business combinations are material on an individual or aggregate basis, the notes to its financial statements must provide pro forma revenue and earnings of the combined entity as if the acquisition date(s) had occurred as of the beginning of the annual reporting period. The ASU clarifies that if comparative financial statements are presented, the pro forma disclosures for both periods presented (the year in which the acquisition occurred and the prior year) should be reported as if the acquisition had occurred as of the beginning of the comparable prior annual reporting period only and not as if it had occurred at the beginning of the current annual reporting period.

U.S. dollars in thousands

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The ASU also expands the supplemental pro forma disclosure requirements to include a description of the nature and amount of any material non-recurring adjustments that are directly attributable to the business combination. The disclosure requirement of ASU 2010-29 is reflected in the note regarding Pro Forma Information regarding the acquisition of RAS and Wavestream. See also Note 1 to the Company's consolidated financial statements.

aa. Reclassification:

Certain figures have been reclassified to conform to the 2010 presentation. The reclassification had no effect on previously reported net income (loss), equity or cash flows.

NOTE 3:- INVENTORIES

a. Inventories are comprised of the following:

	December 31,	
	2010	2009
Raw materials, parts and supplies	$ 10,499	$ 697
Work in progress	1,193	405
Finished products	17,920	12,609
	$ 29,612	$ 13,711

b. Inventory write-offs totaled $ 1,066, $ 1,945 and $ 1,556 in 2010, 2009 and 2008, respectively.

U.S. dollars in thousands

NOTE 4:- PROPERTY AND EQUIPMENT, NET

a. Composition of property and equipment, grouped by major classifications, is as follows:

	December 31,	
	2010	2009
Cost:		
Buildings and land	$ 94,787	$ 92,687
Computers, software and electronic equipment	95,786	83,034
Equipment leased to others	91,838	93,673
Office furniture and equipment	9,863	9,290
Vehicles	525	457
Leasehold improvements	8,276	6,850
	301,075	285,991
Accumulated depreciation *)	197,585	185,459
Depreciated cost	$ 103,490	$ 100,532

*) The accumulated depreciation of equipment leased to others as of December 31, 2010 and 2009 is $ 82,518 $ 83,843, respectively.

b. Depreciation expenses totaled $ 11,500, $ 11,653 and $ 12,502 in 2010, 2009 and 2008, respectively.

c. In 2008, the Group recorded impairment losses in respect of its long-lived assets in Colombia, see also Note 10.

d. As for pledges and securities, see also Note 12f.

U.S. dollars in thousands

NOTE 5:- INTANGIBLE ASSETS AND DEFERRED CHARGES, NET

a. Composition of intangible assets and deferred charges, grouped by major classifications, is as follows:

	December 31,	
	2010	2009
Original amounts:		
Technology	$ 48,003	$ -
Customer Relationships	4,466	-
Marketing Rights and Patents	3,278	-
In process research and development	445	-
Backlog	432	-
Other	3,596	3,436
	60,220	3,436
Accumulated amortization:		
Technology	813	-
Customer Relationships	60	-
Marketing Rights and Patents	466	-
In process research and development	-	-
Backlog	73	-
Other	1,355	636
	2,767	636
Deferred charges	-	188
	$ 57,453	$ 2,988

b. Amortization expenses amounted to $ 3,294, $ 2,856 and $ 630 for the years ended December 31, 2010, 2009 and 2008, respectively.

c. Estimated amortization expenses for the following years is as follows:

Year ending December 31,	
2011	$ 8,819
2012	7,865
2013	7,761
2014	7,121
2015	7,077
2016 and thereafter	18,810
	$ 57,453

U.S. dollars in thousands

NOTE 6:- COMMITMENTS AND CONTINGENCIES

a. On March 29, 2001, Spacenet completed a transaction for the sale and leaseback of its corporate headquarters building. The sale price of the property was approximately $ 31,500 net of certain fees and commissions. Concurrently with the sale, Spacenet entered into an operating leaseback contract for a period of fifteen years at an initial annual rent of approximately $ 3,500 plus escalation. The capital gain resulting from the sale and leaseback amounting to $ 5,600 was deferred and is being amortized over the fifteen year term of the lease. In accordance with the lease terms, Spacenet provided a security deposit consisting of a $ 5,000 fully cash collateralized letter of credit for the benefit of the lessor which is being released over the term of the lease agreement. As of December 31, 2010 $ 500 was released from this deposit. The lease is accounted for as an operating lease in accordance with ASC 840.

b. Lease commitments:

Minimum lease commitments of certain subsidiaries under non-cancelable operating lease agreements with respect to premises occupied by them, at rates in effect subsequent to December 31, 2010, are as follows:

Year ending December 31,	Gross commitments	Receivables from subleases	Net commitments
2011	$ 5,684	$ 1,382	$ 4,302
2012	5,575	1,339	4,236
2013	5,695	1,005	4,690
2014	5,289	369	4,920
2015	5,026	380	4,646
2016 and thereafter	1,324	391	933
	$ 28,593	$ 4,866	$ 23,727

Gross rent expenses and income from subleases were $ 6,071 and $ 1,446, respectively in 2010, $ 5,704 and $ 1,480, respectively in 2009 and $ 7,016 and $ 1,508, respectively in 2008.

Out of the above commitment, $ 1,472 is included as restructuring accrual in other accounts payable and other long-term liabilities as of December 31, 2010. Some of the Group's lease agreements do not include renewal options.

c. Commitments with respect to space segment services:

Future minimum payments due for space segment services subsequent to December 31, 2010, are as follows:

U.S. dollars in thousands

NOTE 6:- COMMITMENTS AND CONTINGENCIES (Cont.)

Year ending December 31,	
2011	$ 24,267
2012	21,381
2013	13,468
2014	11,931
2015	8,659
2016 and thereafter	7,708
	$ 87,414

Space segment services expenses totaled $ 23,638, $ 29,512 and $ 26,628 in 2010, 2009 and 2008, respectively.

d. In 2010 and 2009, the Company's primary material purchase commitments derived from inventory suppliers. The Company's material inventory purchase commitments are based on purchase orders, or on outstanding agreements with some of the Company's suppliers of inventory. As of December 31, 2010 and 2009, the Company's major outstanding inventory purchase commitments amounted to $ 18,881 and $ 14,757, respectively, all of which were orders placed or commitments made in the ordinary course of its business. As of December 31, 2010 and 2009, $ 9,709 and $ 7,341, respectively, of these orders and commitments, were from suppliers which can be considered sole or limited in number.

e. Legal and tax contingencies:

1. In September 2003, Nova Mobilcom S.A. ("Mobilcom"), filed a lawsuit against Gilat do Brasil for specific performance of a Memorandum of Understandings which provided for the sale of Gilat do Brasil, and specifically the GESAC project, a government education project awarded to Gilat do Brazil, to Mobilcom for an unspecified amount. Gilat do Brasil does not believe that this claim has any merit and is vigorously defending itself against the claims presented.

2. In 2003, the Brazilian tax authority filed a claim against a subsidiary of Spacenet in Brazil, for alleged taxes due of approximately $ 4,000. In January 2004 and December 2005, the subsidiary filed its administrative defense which was denied by the first and second level courts, respectively. In September 2006, the subsidiary filed an annulment action seeking judicial cancellation of the claim. In May 2009, the subsidiary received notice of the court's first level decision which cancelled a significant part of the claim but upheld two items of the assessment. Under this new decision, the subsidiary's liability was reduced to approximately $ 1,530. This decision has been appealed by both the subsidiary and the State tax authorities and is pending review by the São Paulo Court of Appeals. As of December 31, 2010, the subsidiary faces a tax exposure of approximately $ 10,000 (the amount has increased due to interest and exchange rate differences).

NOTE 6:- COMMITMENTS AND CONTINGENCIES (Cont.)

3. In November 2009, a lawsuit was filed in the Central District Court in Israel by eight individuals and Israeli companies against the Company, all of its directors and its 20% shareholder, York Capital Management, and its affiliates. The plaintiffs claim damages based on the amounts they would have been paid had a merger agreement signed on March 31, 2008 with a consortium of buyers closed. The lawsuit, seeking damages of approximately $ 12,400, is similar to the lawsuit and motion for its approval as a class action proceeding previously filed by the same group of Israeli shareholders in October 2008. The October 2008 lawsuit and motion were withdrawn by the plaintiffs in July 2009 at the recommendation of the Court, which questioned the basis for the lawsuit.

   The Company and its independent legal counsel believe the claims are completely without merit, and that the lawsuit is without basis. The Company intends to use all legal means necessary to protect and defend the Company and its directors.

4. In December 2010, a lawsuit was filed against the Group in the Superior Court in Orange County, California by STM Group Inc. and Emil Youssefzadeh claiming damages for tortuous interference with contract and defamation for alleged actions in Peru. The complaint seeks damages of approximately $6,000 in connection with the contract claim by STM Group, an unstated amount by Mr. Youssefzadeh, and exemplary damages and costs. The action was removed to the US District Court for the Central District of California and in March 2011, the Group moved to dismiss the complaint on several grounds. Although the Company's management believes the claims to be without merit, the Company's management cannot assess the likelihood of success because of the early stage of the litigation. The Group intends to use all legal means necessary to protect and defend the Group.

5. The Group has certain tax exposures in some of the jurisdictions in which it conducts business. Specifically, in certain jurisdictions in the United States and in Latin America the Group is in the midst of different stages of audits and has received certain tax assessments. The tax authorities in these and in other jurisdictions in which the Group operates as well as the Israeli Tax Authorities may raise additional claims, which might result in increased exposures and ultimately, payment of additional taxes.

6. The Group has accrued $ 14,507 and $ 14,276 as of December 31, 2010 and 2009, respectively, for the expected implications of such legal and tax contingencies. These accruals are comprised of $ 12,309 and $ 13,551 of tax related accruals as of December 31, 2010 and 2009, respectively, and $ 2,198 and $ 725 of legal and other accruals as of December 31, 2010 and 2009, respectively. The accruals related to tax contingencies have been assessed by the Group's management based on the advice of outside legal and tax advisers. The total estimated exposure for the aforementioned tax related accruals is $ 22,871 and $ 24,592 as of December 31, 2010 and 2009, respectively. The estimated exposure for legal and other related accruals is $ 6,907 and $ 2,410 as of December 31, 2010 and 2009, respectively.

NOTE 6: - COMMITMENTS AND CONTINGENCIES (Cont.)

The tax accruals include various tax matters such as taxes on income, property taxes, sales and use tax and value added tax, that are in different stages of audits, for which tax assessments have been received, or various tax exposures in which the Group has assessed the exposure and determined that an accrual is necessary. The accruals related to legal contingencies have been assessed by the Group's management based on the advice of independent legal advisers and are comprised of matters for which legal proceedings have been initiated against the Group.

The exposures and provisions related to income taxes have been assessed and provided for in accordance with ASC 740-10. Liabilities related to legal proceedings, demands and claims and other taxes are recorded in accordance with ASC 450, "Contingencies" ("ASC 450") (formerly: SFAS No. 5, "Accounting for Contingencies"), when it is probable that a liability has been incurred and the associated amount can be reasonably estimated. The Group's management, based on its legal counsel opinion, believes that it had provided an adequate accrual to cover the costs to resolve the aforementioned legal proceedings, demands and claims.

f. Pledges and securities - see Notes 9 and 12f.

g. Guarantees:

The Group guarantees its performance to certain customers (generally to government entities) through bank guarantees and corporate guarantees. Guarantees are often required for the Group's performance during the installation and operational periods of long-term rural telephony projects such as in Latin America, and for the performance of other projects (government and corporate) throughout the rest of the world. The guarantees typically expire when certain operational milestones are met.

As of December 31, 2010, the aggregate amount of bank guarantees outstanding in order to secure the Group's various performance obligations was $ 6,081, including an aggregate of $ 2,147 on behalf of the subsidiary in Peru. The Group has restricted cash as collateral for these guarantees in an amount of $ 2,786.

In order to guarantee the Group's performance obligations for its Colombian activities, the Group secured insurance from a local insurance company in Colombia. The Group has provided the insurance company with various corporate guarantees, guaranteeing the Group's performance and its employee salary and benefit costs for in excess of approximately $ 36,800 and $ 7,900, respectively.

In addition, the Group has provided bank guarantees for certain leases throughout the world for an aggregate amount of $ 4,949. The Group has restricted cash as collateral for these guarantees in an amount of $ 4,611. The Group also provided other guarantees of $ 952 as of December 31, 2010, with $ 527 restricted cash as collateral for these guarantees.

NOTE 6: - COMMITMENTS AND CONTINGENCIES (Cont.)

In accordance with ASC 460, "Guarantees" ("ASC 460") (formerly: FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"), as the guarantees above are performance guarantees for the Group's own performance, such guarantees are excluded from the scope of ASC 460. The Group has not recorded any liability for such amounts, since the Group expects that its performance will be acceptable. To date, no guarantees have ever been exercised against the Group.

NOTE 7:- HEDGING INSTRUMENTS

To protect against changes in value of forecasted foreign currency cash flows resulting from salaries and other payments that are denominated in NIS, the Company has entered into foreign currency forward contracts and put option contracts. These contracts are designated as cash flows hedges, as defined by ASC 815 (formerly SFAS No. 133), as amended, and are considered highly effective as hedges of these expenses.

During the years ended December 31, 2010 and 2009, the Company recognized net income (loss) of $ 1,023 and $ (46), respectively, related to the effective portion of its hedging instruments. The effective portion of the hedged instruments has been included as an offset (addition) of payroll expenses and other operating expenses in the statement of operations.

The ineffective portion of the hedged instrument amounted to $ 6 and $ 87 during the years ended December 31, 2010 and 2009, respectively and has been recorded as financial income.

In accordance with ASC 820, foreign currency derivative contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments. As of December 31, 2010 the Company does not have any hedging instruments in the balance sheet, the fair value of the hedging instruments as of December 31, 2009 constituted an asset of approximately $ 416.

NOTE 8:- EQUITY

a. Share capital:

Ordinary shares confer upon their holders voting rights, the right to receive cash dividends and the right to share in excess assets upon liquidation of the Company.

NOTE 8:- EQUITY (Cont.)

b. Stock Option Plans:

The Company adopted ASC 718 (formerly SFAS 123(R)) using the modified prospective transition method, which requires the application of the accounting standard starting from January 1, 2006, the first day of the Company's fiscal year 2006. Under that transition method, compensation cost recognized in the years ended December 31, 2010, 2009 and 2008 includes: (a) compensation cost for all stock-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all stock-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of ASC 718.

The Company recognizes compensation expenses for the value of its awards, which have graded vesting, granted prior to January 1, 2006, based on the accelerated attribution method and for awards granted subsequent to January 1, 2006, based on the straight line method over the requisite service period of each of the awards.

Description of Plans

The Company has four stock option plans, the 1995 and the 2003 Stock Option and Incentive Plans and the 2005 and 2008 Stock Incentive Plans (the "Plans"). The 1995 Plan was amended in 1997, 1998 and 1999, and expired although there are still options outstanding under this plan. Under the 2003 Plan, options may be granted to employees, officers, directors and consultants of the Company.

In 2005, the Company's shareholders approved two increases in the number of options available for grant under the 2003 Plan for an aggregate of 4,635,000 shares to a total of 6,135,000 shares available for future grants. As of December 31, 2010, an aggregate of 408,720 shares of the Company are still available for future grants under the 2003 Plan.

The exercise price per share under the 1995 Plan was not less than the market price of an Ordinary share at the date of grant. The exercise price per share under the 2003 Plan is the higher of (i) $ 5.00 per share; and (ii) the market value of the shares as of the date of the option grant, unless otherwise provided in the stock option agreement.

In December 2005, the Company's shareholders approved the adoption of a new plan, the 2005 Plan with 1,500,000 shares or stock options available for grant. This Plan is designed to enable the Company's Board of Directors to determine various forms of incentives for all forms of service providers and, when necessary, adopt a sub-plan in order to grant specific incentives. Among the incentives that may be adopted are share options, performance share awards, performance share unit awards, restricted shares, restricted share unit awards and other stock-based awards. In October 2008, the Company's Board of Directors approved the adoption of a sub-plan to enable qualified optionees certain tax benefits under the Israeli Income Tax Ordinance. As of December 31, 2010, the Company granted 50,000 performance based options under the 2005 Plan, based on attaining sales target conditions, which are outstanding as of December 31, 2010 and 2009. As of December 31, 2010, the Company did not record any expenses relating to these options since achievement of the sales target is not expected.

NOTE 8:- EQUITY (Cont.)

As of December 31, 2010, an aggregate of 50,814 shares of the Company are still available for future grants from the 2005 Plan.

In October 2008, the compensation stock option committee of the Company's Board of Directors approved the adoption of a new plan, the 2008 Plan with 1,000,000 shares or stock options available for grant and a sub-plan to enable qualified optionees certain tax benefits under the Israeli Income Tax Ordinance. Among the incentives that may be adopted are share options, performance share awards, performance share unit awards, restricted shares, restricted share unit awards and other stock-based awards. In October 2010 the Company's Board of Directors approved an increase in the number of shares or stock options available for grant under the 2008 Plan for 1,000,000 shares to a total of 2,000,000 shares available for future grants. As of December 31, 2010, an aggregate of 785,000 shares of the Company are still available for future grants under the 2008 Plan.

Options granted under the Plans above generally vest quarterly over two to four years. The options expire six, seven or ten years from the date of grant. Any options, which are forfeited or canceled before expiration, become available for future grants.

Valuation Assumptions

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. The option-pricing model requires a number of assumptions, of which the most significant are expected stock price volatility and the expected option term. Expected volatility was calculated based upon actual historical stock price movements.

The expected option term represents the period that the Company's stock options are expected to be outstanding and based on historical incidence of exercise of options. Prior to December 31, 2007, the expected term of options was determined based on the simplified method permitted by SAB No. 107 as the average of the vesting period and the contractual term. Starting January 1, 2008, the expected term of options granted is based upon historical experience complying with SAB 110. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term. The Company has historically not paid dividends and has no foreseeable plans to pay dividends.

NOTE 8:- EQUITY (Cont.)

Options granted to Employees and Non-employees

The fair value of the Company's stock options granted to employees for the years ended December 31, 2010, 2009 and 2008 was estimated using the following weighted average assumptions:

	Year ended December 31,		
	2010	2009*)	2008
Risk free interest	1.70%	-	1.18%
Dividend yields	0%	-	0%
Volatility	45%	-	45%
Expected term (in years)	4.75	-	3.6

*) No options were granted during the year ended December 31, 2009.

The grant date fair value of the Company's stock options granted to non-employees for the year ended December 31, 2010 was estimated using the following weighted average assumptions: risk free interest of 3.16%. dividend yield of 0%, volatility of 48% and expected term of 7 years. No options were granted to non-employees during the years ended December 31, 2009 and 2008.

A summary of employee option balances under the Company's Stock Option Plans as of December 31, 2010 and changes during the year ended December 31, 2010 are as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at January 1, 2010	4,187,555	$ 6.8	5.5	$ 366
Granted	60,000	$ 4.8		
Exercised	(3,000)	$ 5.3		
Expired	(592)	$ 1,113.3		
Forfeited	(39,849)	$ 14.5		
Outstanding at December 31, 2010	4,204,114	$ 6.5	4.6	$ 610
Exercisable at December 31, 2010	3,903,132	$ 6.6	4.6	$ 410
Vested and expected to vest at December 31, 2010	$ 4,069,298	$ 6.5	4.6	$ 577

NOTE 8:- EQUITY (Cont.)

A summary of employee option balances under the Company's Stock Option Plans as of December 31, 2009 and 2008 and changes during the years ended on those dates are as follows:

	Year ended December 31,			
	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at the beginning of the year	4,293,624	$ 7.2	4,097,030	$ 8.6
Changes during the year:				
Granted	-	-	630,000	$ 4.3
Exercised	-	-	(336,718)	$ 6.0
Expired	(1,167)	$ 1,050.1	(3,846)	$ 895.5
Forfeited	(104,902)	$ 14.2	(92,842)	$ 13.7
Options outstanding at the end of the year	4,187,555	$ 6.8	4,293,624	$ 7.2
Options exercisable at the end of the year	3,691,382	$ 7.0	3,541,578	$ 7.7

A summary of non-employee option balances under the Company's Stock Option Plans as of December 31, 2010 and changes during the year ended December 31, 2010 are as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at January 1, 2010	-			
Granted	365,000	$ 6.0		
Exercised	-			
Expired	-			
Forfeited	-			
Outstanding at December 31, 2010	365,000	$ 6.0	6.3	$ -
Exercisable at December 31, 2010	54,728	$ 6.0	6.3	$ -
Vested and expected to vest at December 31, 2010	$ 350,172	$ 6.0	6.3	$ -

No options were granted to non-employees during the year ended December 31, 2009 and 2008.

U.S. dollars in thousands

NOTE 8:- EQUITY (Cont.)

The weighted-average grant-date fair value of options granted to employees during the years ended December 31, 2010 and 2008 was $ 1.93 and $ 0.55, respectively. The weighted-average grant-date fair value of options granted to non-employees during the year ended December 31, 2010 was $ 2.82. The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between the Company's closing stock price on the last trading day of the year 2010 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2010. These amounts changes based on the fair market value of the Company's stock. Total intrinsic value of options exercised for the years ended December 31, 2010, 2009 and 2008 was approximately $ 1, nil and $ 2,127, respectively.

Total grant-date fair value of options and RSUs granted to employees that vested during the years ended December 31, 2010, 2009 and 2008 was approximately $ 1,444, $ 861 and $ 1,623, respectively.

Total grant-date fair value of options and RSUs granted to consultants that vested during the years ended December 31, 2010, 2009 and 2008 was approximately $ 179, $ 8 and $ 0, respectively.

The outstanding and exercisable options granted to employees under the Company's Stock Option Plans as of December 31, 2010, have been separated into ranges of exercise price as follows:

Ranges of exercise price	Options outstanding as of December 31, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price	Options exercisable as of December 31, 2010	Weighted average exercise price of exercisable options
$ 4.0 - 6.0	3,610,550	4.7	$ 5.4	3,366,131	$ 5.5
$ 6.0 - 8.2	530,650	3.9	$ 7.2	478,775	$ 7.1
$ 9.2 - 10.8	15,175	3.0	$ 9.8	10,487	$ 9.8
$ 77.2 - 79.0	46,527	0.9	$ 77.5	46,527	$ 77.5
$ 240.4 - 2,730.0	1,212	0.5	$ 241.4	1,212	$ 241.4
	4,204,114	4.6	$ 6.5	3,903,132	$ 6.6

The outstanding and exercisable options granted to non-employees under the Company's Stock Option Plans as of December 31, 2010, have been separated into ranges of exercise price as follows:

Ranges of exercise price	Options outstanding as of December 31, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price	Options exercisable as of December 31, 2010	Weighted average exercise price of exercisable options
$ 5.65-6.15	365,000	6.3	$ 6.0	54,728	$ 6.0
	365,000	6.3	$ 6.0	54,728	$ 6.0

U.S. dollars in thousands

NOTE 8:- EQUITY (Cont.)

Restricted Share Units ("RSUs") granted to Employees and Non-employees

The fair value of RSUs is estimated based on the market value of the Company's stock on the date of the award.

During 2010, 2009 and 2008, the Company granted 597,000, 65,000 and 1,455,000 RSUs, respectively. The entitlement to these RSUs vests over a four-year period (15%, 25%, 30% and 30% each year, respectively) in quarterly batches. The following table summarizes information regarding the number of RSUs issued and outstanding as of December 31, 2010 and changes during the year ended December 31, 2010:

Employees:

	Year ended December 31,					
	2010		2009		2008	
	Number of RSUs	Weighted average grant date fair value	Number of RSUs	Weighted average grant date fair value	Number of RSUs	Weighted average grant date fair value
RSUs outstanding at the beginning of the year	1,225,025	$ 3.2	1,455,000	$ 2.7	-	$ -
Changes during the year:						
Granted	567,000	$ 5.5	65,000	$ 3.3	1,455,000	$ 2.7
Vested	(417,029)	$ 2.9	(220,724)	$ 2.7	-	$ -
Forfeited	(48,563)	$ 2.7	(74,251)	$ 2.7	-	$ -
RSUs outstanding at the end of the year	1,326,433	$ 3.8	1,225,025	$ 2.7	1,455,000	$ 2.7

Non-employees:

	Year ended December 31,					
	2010		2009		2008	
	Number of RSUs	Weighted average grant date fair value	Number of RSUs	Weighted average grant date fair value	Number of RSUs	Weighted average grant date fair value
RSUs outstanding at the beginning of the year	17,000	$ 2.7	20,000	$ 2.7	-	$ -
Changes during the year:						
Granted	30,000	$ 5.2	-	$ -	20,000	$ 2.7
Vested	(5,000)	$ 2.7	(3,000)	$ 2.7	-	$ -
Forfeited	-	$ -	-	$ -	-	$ -
RSUs outstanding at the end of the year	42,000	$ 4.5	17,000	$ 2.7	20,000	$ 2.7

NOTE 8:- EQUITY (Cont.)

Additional Stock-based Compensation Data

As of December 31, 2010, there was approximately $ 4,853 of total unrecognized compensation costs related to non-vested stock-based compensation arrangements granted to employees under the Plans and approximately $ 801 of total unrecognized compensation costs related to non-vested stock-based compensation arrangements granted to non-employees under the Plans. The cost related to employees and non-employees are expected to be recognized over a weighted-average period of 1.59 years each.

c. In December 2008, the Company granted 600,000 stock options to its Chairman of the Board of Directors and CEO and the other members of the Board of Directors at an exercise price of $ 4.00 per share. These options vest ratably, each quarter, over a three-year period. The fair value of these options was estimated at $ 234, using the Black-Scholes option-pricing valuation model which is expected to be recognized over a weighted-average period of 3.58 years. These grants are detailed in the above table.

d. Dividends:

1. In the event that cash dividends are declared by the Company, such dividends will be declared and paid in Israeli currency. Under current Israeli regulations, any cash dividend in Israeli currency paid in respect of ordinary shares purchased by non-residents of Israel with non-Israeli currency, may be freely repatriated in such non-Israeli currency, at the exchange rate prevailing at the time of repatriation. The Company does not expect to pay cash dividends in the foreseeable future.

2. Pursuant to the terms of a credit line from a bank (see also Note 12), the Company is restricted from paying cash dividends to its shareholders without initial approval from the bank.

NOTE 9:- CONVERTIBLE SUBORDINATED NOTES

In 2003, the Company issued the 4.00% Convertible Subordinated Notes due 2012. The Company pays interest on Convertible Subordinated Notes semi-annually in arrears on April 1 and October 1 of each year, beginning on April 1, 2005. The Company is committed to pay approximately $ 400 of the principal amount of the notes on each of April 1 and October 1, in both 2010 and 2011, and the remaining principal amount at maturity. The notes are convertible at the option of the holder into the Company's Ordinary shares at a conversion price of $ 17.40 per Ordinary share at any time before close of business on October 1, 2012, unless the notes have been converted pursuant to a mandatory conversion clause as defined in the 4.00% Convertible Subordinated Note. Since January 1, 2005, the Company may, at its option, require the conversion right to be exercised under certain circumstances set forth in the indenture. During the years ended December 2010 and 2009, $1 and $10, respectively, of the Convertible Subordinate Notes were converted. In addition during 2009 the Company redeemed $ 248 of its Convertible Subordinated Notes. The collateral for the notes is a second priority security interest consisting of a floating charge on all of the Company's assets and a pledge of all on the shares of Spacenet, a wholly owned subsidiary of the Company.

U.S. dollars in thousands

NOTE 9:- CONVERTIBLE SUBORDINATED NOTES (Cont.)

The interest of the holders of the notes in the collateral is subordinated to the security interest granted for the benefit of lending banks. As of December 31, 2010 and 2009, the outstanding amount of the notes is $ 15,219 and $ 16,060, respectively. As of December 31, 2010, $ 840 was classified as "Current maturities of long-term loans and convertible subordinated notes".

The balance of the notes results from debt restructurings that occurred in 2003. The debt restructurings were accounted for as troubled debt restructuring on the basis of combination of types of restructuring and on the basis of modification of terms pursuant to ASC 470, "Debt" ("ASC 470") and ASC 310, "Receivables" ("ASC 310") (formerly: SFAS No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructuring", Emerging Issues Task Force No. 02-4, "Determining Whether a Debtor's Modification or Exchange of Debt Instruments Is within the Scope of FASB Statement No. 15" ("EITF 02-4")) and ASC 470-50-45-1 (formerly: SFAS No. 145, "Rescission of SFAS No. 4, 44 and 64, Amendment of SFAS No. 13, and Technical Corrections"). Accordingly, the Company recognized a gain in 2003. As part of the accounting for the troubled debt restructurings, the Company accrued to the balance of the notes the remaining future interest payable until maturity, presented as a separate line item in the balance sheet. Therefore, at each reporting date the liabilities include both principal and all future remaining interest payments. Consequently, though the Company pays periodical interest payments, the statement of operations does not reflect the costs of such interest payments.

NOTE 10:- IMPAIRMENT OF LONG-LIVED ASSETS AND OTHER CHARGES

During December 2008, the Colombian Government and the Group agreed to renegotiate certain terms of the contracts for the provision of services under the Compartel Projects, including the operational milestones going forward, so that they would better reflect the current telecom and business environment in Colombia. These amendments were signed in December 2008. The Group performed a cash flow analysis based on the guidance provided in ASC 360 (formerly SFAS 144) for these projects based on the revised terms. Based on such analysis, the Group recorded a loss representing an impairment of "long-lived assets and other charges" of $ 5,020.

The Group ensured that the accumulated revenue recognized from the Compartel Projects will not exceed the accumulated amounts previously released from the trust.

The Group recorded a loss of $ 5,020 for the year ended December 31, 2008, as follows:

	Year ended December 31, 2008
Property and equipment impairment	$ 4,133
Other asset impairment and charges	887
	$ 5,020

U.S. dollars in thousands

NOTE 11:- TAXES ON INCOME

a. ASC 740-10:

Interest associated with uncertain tax position is classified as financial expenses in the financial statements and penalties as general and administrative expenses.

A reconciliation of the beginning and ending amount of unrecognized tax positions is as follows:

	Year ended December 31,	
	2010	2009
Balance at beginning of year	$ 8,264	$ 7,312
Increases related to current year tax positions	669	435
Increase (decrease) related to prior year tax positions, net	(1,300)	517
Balance at the end of year	$ 7,633	$ 8,264

The unrecognized tax benefits include accrued penalties and interest of $ 4,068 and $ 4,231 at December 31, 2010 and 2009, respectively. During the years ended December 31, 2010 and 2009, the Group recorded $ (163) and $ 1,013, for penalties and interest, respectively. The unrecognized tax benefits as of December 31, 2010 and 2009 would, if recognized, reduce the annual effective tax rate.

The Group does not expect a reversal of unrecognized tax benefits in the next 12 months.

The Company and its subsidiaries file income tax returns in Israel and in other jurisdictions of its subsidiaries. As of December 31, 2010, the tax returns of the Company and its main subsidiaries are open to examination by the Israeli and other tax authorities for the tax years 2003 through 2010.

b. The Company:

1. Tax benefits under the Law for the Encouragement of Capital Investments, 1959 ("the Law"):

The Company has been granted an "Approved Enterprise" status, under the Law, for nine investment programs in the alternative program, by the Israeli Government. In addition, the Company elected 2005 as the Year of Election for a new Beneficiary Enterprise.

NOTE 11:- TAXES ON INCOME (Cont.)

Since the Company is a "foreign investors' company", as defined by the above-mentioned Law, it is entitled to a ten-year period of benefits, for enterprises approved after April 1993. The main tax benefits from such status are a tax exemption for two to four years and a reduced tax rate (based on the percentage of foreign shareholding in each tax year) on income from all of its "Approved Enterprises" and "Beneficiary Enterprise", for the remainder of the benefit period. These tax benefits are subject to a limitation of the earlier of 12 years from commencement of operations, or 14 years from receipt of approval. The period of benefits for the nine programs has expired.

The Company is entitled to claim accelerated depreciation with respect to equipment used by its "Approved Enterprises" and Beneficiary Enterprise during the first five tax years of the operations of these assets.

On April 1, 2005, an amendment to the Law came into effect (the "Amendment") which significantly changed the provisions of the Law. The Amendment limits the scope of enterprises which may be approved by the Investment Center by setting criteria for the approval of a facility as an "Approved Enterprise", such as provisions generally requiring that at least 25% of the "Approved Enterprise" income will be derived from export. Additionally, the Amendment enacted major changes in the manner in which tax benefits are awarded under the Law so that companies no longer require Investment Center approval in order to qualify for tax benefits. Rather, a company may claim the tax benefits offered by the Investment Law directly in its tax returns, provided that its facilities meet the criteria for tax benefits set out by the Amendment. A company is also granted a right to approach the Israeli Tax Authorities for a pre-ruling regarding their eligibility for benefits under the Amendment.

Tax benefits are available under the Amendment to production facilities (or other eligible facilities), which are generally required to derive more than 25% of the Company's business income from export. In order to receive the tax benefits, the Amendment states that a company must make an investment in the Beneficiary Enterprise exceeding a minimum amount specified in the Law. Such investment may be made over a period of no more than three years ending at the end of the year in which the company requested to have the tax benefits apply to the Beneficiary Enterprise (the "Year of Election"). Where a company requests to have the tax benefits apply to an expansion of existing facilities, then only the expansion will be considered a Beneficiary Enterprise, and the company's effective tax rate will be the result of a weighted combination of the applicable rates. In this case, the minimum investment required in order to qualify as a Beneficiary Enterprise is required to exceed a certain percentage of the company's production assets before the expansion. The duration of tax benefits is subject to a limitation of the earlier of 7-10 years from the Commencement Year, or 12 years from the first day of the Year of Election. The period of benefits of the Beneficiary Enterprise will expire in 2017.

NOTE 11:- TAXES ON INCOME (Cont.)

However, the Law provides that terms and benefits included in any certificate of approval already granted will remain subject to the provisions of the Law as they were on the date of such approval. Therefore, the Company's existing "Approved Enterprise" programs will generally not be subject to the provisions of the Amendment. As a result of the Amendment, tax-exempt income generated under the provisions of the new Law, will subject the Company to taxes upon distribution or liquidation and the Company may be required in the future to record deferred tax liability with respect to such tax-exempt income. As of December 31, 2010, the Company did not generate income under the provisions of the new Law.

On January 1, 2011, new legislation that constitutes a major amendment to the Investment Law was enacted (the "Amendment Legislation"). Under the new Amendment Legislation, a uniform rate of corporate tax would apply to all qualified income of certain Industrial Companies, as opposed to the current law's incentives that are limited to income from Approved Enterprises during their benefits period. According to the new law, the uniform tax rate would be 10% in areas in Israel that will be designated as Development Zone A and 15% elsewhere in Israel during 2011-2012, 7% and 12.5%, respectively, in 2013-2014, 6% and 12%, respectively, thereafter. Certain "Special Industrial Companies" that meet certain criteria would enjoy further reduced tax rates of 5% in Zone A and 8% elsewhere. The profits of these Industrial Companies would be freely distributable as dividends, subject to a 15% withholding tax (or lower, under an applicable tax treaty). The Company is not located in Development Zone A area.

Under the transitory provisions of the new Amendment Legislation, the Company may elect whether to irrevocably implement the new law in its Israeli company while waiving benefits provided under the current law or keep implementing the current law during the next years. Changing from the current law to the new law is permissible at any stage. The Company is examining the possible effect of the Amendment Legislation on its results.

The entitlement to the above mentioned benefits is dependent upon the Company fulfilling the conditions stipulated by the Law, regulations published there under and the certificates of approval for the specific investments in approved enterprises. In the event of failure to comply with these conditions, the benefits may be canceled and the Company may be required to refund the amount of the benefits, in whole or in part, with the addition of linkage differences to the Israeli CPI and interest.

The Company does not expect to pay any cash dividends. In the event of distribution of dividends from the above mentioned tax exempt income, the amount distributed would be taxed at the corporate tax rate applicable to such profits as if the Company had not elected the alternative program of benefits (depending on the level of foreign investment in the Company), currently between 10% to 25% for an "Approved Enterprise" and Beneficiary Enterprise.

NOTE 11:- TAXES ON INCOME (Cont.)

Income from sources other than an "Approved Enterprise" during the benefit period is subject to tax at the regular corporate tax rate. The regular corporate tax rate in Israel was 25% in 2010 compared to 26% in 2009, 27% in 2008 and 29% in 2007. In July 2009, Israel's Parliament (the Knesset) passed the Economic Efficiency Law (Amended Legislation for Implementing the Economic Plan for 2009 and 2010), 2009, which prescribes, among other things, an additional gradual reduction in the Israeli corporate tax rate and real capital gains tax rate starting from 2011 to the following tax rates: 2011 - 24%, 2012 - 23%, 2013 - 22%, 2014 - 21%, 2015 - 20%, 2016 and thereafter - 18%. However, the effective tax rate payable by a Company that derives income from an Approved Enterprise or Beneficiary Enterprise, discussed hereinabove, may be considerably less.

c. Non-Israeli subsidiaries:

Non-Israeli subsidiaries are taxed according to the tax laws in their respective domiciles of residence. The Company has not made any provisions relating to undistributed earnings of the Company's foreign subsidiaries since the Company has no current plans to distribute such earnings. If earnings are distributed to Israel in the form of dividends or otherwise, the Company may be subject to additional Israeli income taxes (subject to an adjustment for foreign tax credits) and foreign withholding taxes. It is not practicable to determine the amount of the unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries.

d. Carryforward tax losses and credits:

As of December 31, 2010, the Company had operating loss carry forwards for Israeli income tax purposes of approximately $ 50,000, which may be offset indefinitely against future taxable income.

The Company’s U.S. subsidiaries had carryforward tax losses of approximately $ 259,000 as of December 31, 2010. Utilization of U.S. net operating losses may be subject to substantial annual limitation due to the "change in ownership" provisions of Internal Revenue Code of 1986 and similar state provisions. The annual limitations may result in the expiration of net operating loss before utilization. In the U.S, carryforward tax losses can be utilized within 20 years.

The Group has carryforward tax losses relating to other subsidiaries in Europe and Latin America of approximately $ 55,000 and $ 35,000, as of December 31, 2010 respectively.

As of December 31, 2009 the Company had carryforward capital losses for which a full valuation allowance was provided in the amount of $ 74,000. In 2010 the Company incurred capital gains for tax purposes in the amount of $ 41,000 which was offset against the carryforward capital losses. As of December 31, 2010 the Company had carryforward capital losses for which a full valuation allowance was provided in the amount of $ 34,000.

U.S. dollars in thousands

NOTE 11:- TAXES ON INCOME (Cont.)

e. Deferred income taxes:

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Groups' deferred tax liabilities and assets are as follows:

	December 31,	
	2010	2009
1. Provided in respect of the following:		
Carryforward tax losses	$ 127,247	$ 116,179
Temporary differences relating to property and equipment	10,762	14,965
Other	13,605	10,806
Gross deferred tax assets	151,614	141,950
Valuation allowance	(138,939)	(138,317)
Net deferred tax assets	12,675	3,633
Gross deferred tax liabilities		
Temporary differences relating to property and equipment	(19,180)	(3,250)
Other	-	(383)
	(19,180)	(3,633)
Net deferred tax assets (liabilities)	$ (6,505)	$ -
Domestic	$ -	$ -
Foreign	(6,505)	-
	$ (6,505)	$ -

U.S. dollars in thousands

NOTE 11:- TAXES ON INCOME (Cont.)

	December 31,	
	2010	2009
2. Deferred taxes are included in the consolidated balance sheets, as follows:		
Current assets	$ 1,462	$ 7
Non-current assets	485	(7)
Current liabilities	(326)	-
Non-current liabilities	(8,126)	-
	$ (6,505)	$ -

3. As of December 31, 2010, the Group increased the valuation allowance by approximately $ 622, resulting from changes in other temporary differences and from carry forward tax losses. Management currently believes that it is more likely than not that the deferred tax regarding the loss carry forwards and other temporary differences for which valuation allowance was provided will not be realized in the foreseeable future.

4. The functional and reporting currency of the Company and certain of its subsidiaries is the U.S dollar. The difference between the annual changes in the NIS/dollar exchange rate causes a further difference between taxable income and the income before taxes shown in the financial statements. In accordance with ASC 740-10-25-3, the Company has not provided deferred income taxes on the difference between the functional currency and the tax basis of assets and liabilities.

U.S. dollars in thousands

NOTE 11:- TAXES ON INCOME (Cont.)

f. Reconciling items between the statutory tax rate of the Company and the effective tax rate:

	Year ended December 31,		
	2010	2009	2008
Income before taxes, as reported in the consolidated statements of operations	$ 30,630	$ 2,782	$ 321
Statutory tax rate	25%	26%	27%
Theoretical tax expenses on the above amount at the Israeli statutory tax rate	$ 7,660	$ 723	$ 87
Currency differences	(394)	(107)	(1,443)
Tax adjustment in respect of different tax rates and "Approved Enterprise" status	(568)	3,413	(650)
Changes in valuation allowance	622	(5,365)	3,113
Taxes in respect of prior years	(416)	(315)	-
Stock compensation relating to options per ASC 718 (formerly: SFAS 123(R))	247	159	179
Changes in valuation allowance related to Capital gains	(10,020)	-	-
Nondeductible expenses related to acquisitions	1,472	-	-
Nondeductible expenses and other differences	1,408	2,396	159
	$ 11	$ 904	$ 1,445

g. Taxes on income included in the consolidated statements of operations:

	Year ended December 31,		
	2010	2009	2008
Current year	$ 677	$ 227	$ 1,710
Prior years	(416)	(315)	-
Deferred income taxes	(250)	992	(265)
	$ 11	$ 904	$ 1,445
Domestic	$ 31	$ (946)	$ 761
Foreign	(20)	1,850	684
	$ 11	$ 904	$ 1,445

U.S. dollars in thousands

NOTE 11:- TAXES ON INCOME (Cont.)

h. Income before taxes on income from continuing operations:

	Year ended December 31,		
	2010	2009	2008
Domestic	$ 40,680	$ (1,947)	$ 9,801
Foreign	(10,050)	4,729	(9,480)
	$ 30,630	$ 2,782	$ 321

NOTE 12:- SUPPLEMENTARY BALANCE SHEET INFORMATION

a. Other current assets:

	December 31,	
	2010	2009
Receivables in respect of capital leases (see c below)	$ 1,945	$ 3,105
VAT receivables	1,588	1,961
Prepaid expenses	2,968	1,705
Deferred charges	6,559	6,486
Tax receivables	857	2,519
Employees	140	139
Income receivable	898	644
Advance payments to suppliers	1,613	1,367
Short term deferred taxes	1,462	-
Receivables from aborted merger	2,750	-
Adjustment to Wavestream purchase price	1,030	-
Other	1,163	1,142
	$ $22,973	$ 19,068

b. Long-term trade receivables, receivables in respect of capital leases and other receivables:

	December 31,	
	2010	2009
Long-term receivables in respect of capital leases (see c below)	$ 5,947	$ 1,467
Long-term deferred taxes	484	-
Other receivables	107	737
	$ 6,538	$ 2,204

U.S. dollars in thousands

NOTE 12:- SUPPLEMENTARY BALANCE SHEET INFORMATION (Cont.)

c. Receivables in respect of capital and operating leases:

The Group's contracts with customers contain long-term commitments, for remaining periods ranging from one to five years, to provide network services, equipment, installation and maintenance.

The aggregate minimum future payments to be received by the Group under these contracts as of December 31, 2010, are as follows (including unearned interest income in the amount of $ 2,801):

Year ending December 31,	Capital lease	Operating lease	Total
2011	$ 1,999	$ 1,615	$ 3,614
2012	976		976
2013	835		835
2014	800		800
2015	800		800
2016 and after	5,283		5,283
	$ 10,693	$ 1,615	$ 12,308

The net investments in capital lease receivables as of December 31, 2010, are $ 7,892. Total revenue from capital and operating leases amounted to $ 8,868, $ 6,018 and $ 13,727 in the years ended December 31, 2010, 2009 and 2008, respectively.

d. Short-term bank credit:

The following is classified by currency and interest rates:

	Weighted average interest rate December 31,		December 31,	
	2010	2009	2010	2009
	%			
In dollars	4.5	-	$ 2,129	$ -

U.S. dollars in thousands

NOTE 12:- SUPPLEMENTARY BALANCE SHEET INFORMATION (Cont.)

e. Other current liabilities:

	December 31,	
	2010	2009
Deferred revenue	$ 10,441	$ 7,540
Payroll and related employee accruals	7,947	5,133
Government authorities	4,452	3,374
Advances from customers	5,865	4,997
Provision for vacation pay	6,151	4,540
Capital lease	970	-
Other	3,849	2,570
	$ 39,675	$ 28,154

f. Long-term loans:

		Interest rate for			December 31,	
		2010	2009		2010	2009
	Linkage	%	%	Maturity		
Other loans from banks:						
(a), (d)	U.S.dollar	4.77%	-	2012-2022	$ 40,000	$ -
(b)	Euro	6.3%	6.3%	2009-2011	5,399	6,210
(c)	Euro	7.9%	-	2011	757	-
(e), (d)	U.S.dollar	-	LIBOR +1.4%	2010	-	8,000
Other loans:	U.S.dollar / NIS	10% / 6%	-	2011-2014	392	-
					46,548	14,210
Less - current maturities					1,346	4,380
					$ 45,202	$ 9,830

(a) The Company entered into a loan agreement with an Israeli bank. The loan is secured initially by a floating charge on the assets of the Company which will be converted to a negative pledge in October 2012, and is further secured by a fixed pledge (mortgage) on the Company's real estate in Israel. In addition, there are financial covenants associated with the loan. As of December 31, 2010 the Company's management believes it is in compliance with these covenants.

(b) A Dutch subsidiary of the Company entered into a mortgage and loan agreement with a German bank. The amount of the mortgage as of December 31, 2010, is collateralized by the subsidiary's facilities in Germany.

U.S. dollars in thousands

NOTE 12:- SUPPLEMENTARY BALANCE SHEET INFORMATION (Cont.)

(c) Raysat BG entered into a mortgage business loan with a Bulgarian bank. The amount of the mortgage as of December 31, 2010, is collateralized by Raysat BG building in Bulgaria.

(d) In order to secure credit lines provided by its banks, the Company granted a floating charge on its facilities and restricted cash in an amount of $ 2,470. As of December 31, 2010, the Company used approximately $ 2,564 of those credit lines.

(e) In March 2003, the Company concluded a restructuring process reaching an agreement with the banks and other creditors, which revised the loan terms. The loan was fully repaid during 2010.

g. Long-term debt maturities for loans after December 31, 2010, are as follows:

Year ending December 31,	
2011	$ 1,346
2012	4,594
2013	4,599
2014	4,549
2015	4,521
2016 and after	26,939
	$ 46,548

Interest expenses on the long-term loans amounted to $ 626, $ 708 and $ 1,211, for the years ended December 31, 2010, 2009 and 2008, respectively.

h. As for the convertible subordinated notes, see Note 9.

i. Other long-term liabilities:

	December 31,	
	2010	2009
Deferred revenue	$ 1,878	$ 3,081
Space segment	1,000	1,250
Restructuring charges (mainly termination of lease commitments)	1,080	1,237
Long-term tax accrual	7,592	8,181
Long term deferred taxes	8,126	-
Deferred income	6,730	-
Contingent consideration	2,539	-
Capital lease	777	-
Other	2,956	2,531
	$ 32,678	$ 16,280

U.S. dollars in thousands

NOTE 13:- SELECTED STATEMENTS OF OPERATIONS DATA

a. Research and development expenses, net:

	Year ended December 31,		
	2010	2009	2008
Total cost	$ 22,194	$ 16,281	$ 18,702
Less:			
Non-royalty-bearing grants	3,249	2,311	1,760
Total research and development expenses, net	$ 18,945	$ 13,970	$ 16,942

b. Allowance for doubtful accounts:

	Year ended December 31,		
	2010	2009	2008
Balance at beginning of year	$ 6,278	$ 4,370	$ 4,528
Increase during the year	647	2,404	1,252
Amounts collected	(311)	-	-
Write-off of bad debts	(840)	(496)	(1,410)
Balance at the end of year	$ 5,774	$ 6,278	$ 4,370

c. Financial income (expenses), net:

	Year ended December 31,		
	2010	2009	2008
Income:			
Interest on cash equivalents, bank deposits, restricted cash and accretion of discounts of held-to-maturity marketable securities	$ 1,072	$ 2,745	$ 4,367
Interest with respect to capital lease	272	675	957
Other	367	1,206	2,280
	1,711	4,626	7,604
Expenses:			
Interest with respect to short-term bank credit and other	17	370	2,358
Interest with respect to long-term loans	924	708	1,211
Other	1,327	2,498	2,735
	2,268	3,576	6,304
Total financial income, net	$ (557)	$ 1,050	$ 1,300

NOTE 13:- SELECTED STATEMENTS OF OPERATIONS DATA (Cont.)

d. Other income:

During the year ended December 31, 2010, the Company recorded other income of $37,360 consisting of proceeds of $24,314 from the sale of an investment which previously had been written off and from $13,314 derived from the settlement agreements relating to the aborted Agreement and Plan of Merger which was signed in August 2010, providing for a total payment of approximately $20,000 (see also note 1c). Out of the $ 13,314 an amount of $ 11,185 was received in cash and the remainder amount of $ 2,129 is due to be received in 2011 and is recorded as part of other current assets.

In 2009 and 2008, the Company sold another investment accounted for at cost, which previously had been written off for total amount of $ 2,597 and $ 1,801 respectively.

In addition, during the year ended December 31, 2008, the Company received a dividend from the said investment, in an amount of $ 1,182.

NOTE 14:- CUSTOMERS, GEOGRAPHIC AND SEGMENT INFORMATION

The Group applies ASC 280, "Segment Reporting" ("ASC 280") (formerly: SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information"). Segments are managed separately and can be described as follows:

Gilat worldwide which is comprised of two reportable segments:

Gilat International: Gilat International focuses on sales of solutions to operators by provision of its proprietary standard VSAT technology and hybrid solutions. The business of Gilat International reflects the generation of revenue from sales of the Group's satellite-based networking equipment, professional services and applications. The charges to customers for satellite networking products, applications or professional services vary with the number of sites, the location of sites, installation services required and the types of technologies and protocols employed.

Gilat Peru & Colombia: The business of Gilat Peru & Colombia is comprised of several government-sponsored rural projects for telephony and/or internet and data connectivity. To date, this business segment includes satellite-based rural telephony and internet access solutions in remote areas in Latin America.

Spacenet Inc.: Spacenet's business consists of business activity as an operator of communications networks for the provision of telephony, data and Internet services to its customers, primarily in the Americas. The charges to customers for networking services vary with the type of operations provided, the length of the contract, the amount of satellite capacity and the types of technologies and protocols employed.

U.S. dollars in thousands

NOTE 14:- CUSTOMERS, GEOGRAPHIC AND SEGMENT INFORMATION (Cont.)

Wavestream: Wavestream's business provides high power solid state amplifiers (SSPA) Block Upconverters (BUC) with field-proven, high performance solutions designed for mobile and fixed satellite communication (SATCOM) systems worldwide, primarily in the defense market.

a. Information on the reportable segments:

1. The measurement of the reportable operating segments is based on the same accounting principles applied in these financial statements.

2. When reported by segment, the results of Gilat Worldwide (consisting of Gilat International and Gilat Peru & Colombia), Spacenet and Wavestream are presented based upon intercompany transfer prices.

3. Financial data relating to reportable operating segments:

	Year ended December 31, 2010					
	Gilat Worldwide					
	Gilat International	Gilat Peru & Colombia	Spacenet Inc	Wavestream*	Consolidation	Total
Revenue:						
External revenue	$ 113,723	$ 35,862	$ 79,359	$ 4,041	$ -	$ 232,985
Internal revenue	17,064	-	-	-	(17,064)	-
	$ 130,787	$ 35,862	$ 79,359	$ 4,041	$ (17,064)	$ 232,985
Financial income (expenses), net	$ 346	$ (717)	$ (169)	$ (17)	$ -	$ (557)
Income (loss) before taxes on income	$ 37,534	$ 2,329	$ (8,539)	$ (802)	$ 108	$ 30,630
Taxes on income (tax benefit)	$ (873)	$ 1,189	$ (470)	$ 165	$ -	$ 11

*) Wavestream became a reportable segment since it was acquired on November 29, 2010, therefore its results represent only one month of operations.

	Year ended December 31, 2009				
	Gilat Worldwide				
	Gilat International	Gilat Peru & Colombia	Spacenet Inc	Consolidation	Total
Revenue:					
External revenue	$ 97,846	$ 46,676	$ 83,537	$ -	$ 228,059
Internal revenue	11,870	-	-	(11,870)	-
	$ 109,716	$ 46,676	$ 83,537	$ (11,870)	$ 228,059
Financial income, net	$ 208	$ 534	$ 308	$ -	$ 1,050
Income (loss) before taxes on income	$ 234	$ 8,325	$ (5,070)	$ (707)	$ 2,782
Taxes on income	$ 866	$ 38	$ -	$ -	$ 904

U.S. dollars in thousands

NOTE 14:- CUSTOMERS, GEOGRAPHIC AND SEGMENT INFORMATION (Cont.)

	Year ended December 31, 2008				
	Gilat Worldwide				
	Gilat International	Gilat Peru & Colombia	Spacenet Inc	Consolidation	Total
Revenue:					
External revenue	$ 136,624	$ 24,542	$ 106,360	$ -	$ 267,526
Internal revenue	25,296	-	-	(25,296)	-
	$ 161,920	$ 24,542	$ 106,360	$ (25,296)	$ 267,526
Financial income (expenses), net	$ 452	$ (554)	$ 1,402	$ -	$ 1,300
Income (loss) before taxes on income	$ 10,181	$ (15,014)	$ 3,809	$ 1,345	$ 321
Taxes on income	$ 1,160	$ 201	$ 84	$ -	$ 1,445

b. Revenues by geographic areas:

Following is a summary of revenues by geographic areas. Revenues attributed to geographic areas, based on the location of the end customers, and in accordance with ASC 280, are as follows:

	Year ended December 31,		
	2010	2009	2008
United States	$ 83,314	$ 84,590	$ 106,674
South America and Central America	84,388	89,170	73,616
Asia	36,350	36,131	39,486
Europe	12,693	6,948	12,222
Africa	16,240	11,220	35,528
	$ 232,985	$ 228,059	$ 267,526

c. During 2010 and 2008, the Group did not have any single customer or country generating revenues exceeding 10% of the Group's total revenues.

Net revenues to one major customer located in Colombia accounted for 11% of total consolidated revenues for the year ended December 31, 2009.

U.S. dollars in thousands

NOTE 14:- CUSTOMERS, GEOGRAPHIC AND SEGMENT INFORMATION (Cont.)

d. The Group's long-lived assets are located as follows:

	December 31,	
	2010	2009
Israel	$ 74,268	$ 75,349
Latin America	5,977	6,943
United States	14,025	10,894
Europe	8,959	7,066
Other	261	280
	$ 103,490	$ 100,532

Exhibit 4.2

AGREEMENT AND PLAN OF MERGER

by and among

GILAT SATELLITE NETWORKS LTD.,

SPACENET INC.,

WIDEBAND ACQUISITION CORPORATION,

WAVESTREAM CORPORATION AND

SHAREHOLDER REPRESENTATIVE SERVICES LLC

Dated as of October 12, 2010

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Exhibits:

Exhibit A	Certificate of Merger
Exhibit B-1	Form of Stockholder Release
Exhibit B-2	Form of Executive Stockholder Release

AGREEMENT AND PLAN OF MERGER

This **AGREEMENT AND PLAN OF MERGER** (this "*Agreement*") is dated as of October 12, 2010 (the "*Execution Date*"), among **GILAT SATELLITE NETWORKS LTD.**, an Israeli corporation ("*Gilat*"), **SPACENET INC.**, a Delaware corporation ("*Parent*"), **WIDEBAND ACQUISITION CORPORATION**, a Delaware corporation and a direct wholly-owned subsidiary of Parent ("*Merger Sub*"), **WAVESTREAM CORPORATION**, a Delaware corporation (the "*Company*"), and Shareholder Representative Services LLC, a Colorado limited liability company, solely in its capacity as Stockholder Representative. Each of Gilat, Parent, Merger Sub and the Company is a "*Party*" and together, the "*Parties*."

RECITALS:

WHEREAS, the respective Boards of Directors of Gilat, Parent, Merger Sub and the Company have approved and declared advisable and in the best interests of each corporation and its respective stockholders this Agreement and the transactions contemplated thereby, including the merger of Merger Sub with and into the Company (the "*Merger*"), upon the terms and subject to the conditions set forth herein;

WHEREAS, pursuant to the Merger and subject to the terms and conditions of this Agreement, (i) all of the issued and outstanding capital stock of the Company shall be converted into the right to receive the consideration set forth herein, and (ii) all of the issued and outstanding options and warrants to purchase capital stock of the Company shall terminate and be converted into the right to receive the consideration set forth herein; and

WHEREAS, the Board of Directors of the Company has unanimously determined that the Merger is fair to, and in the best interests of, the Stockholders, and approved and declared advisable this Agreement, the Merger and the transactions contemplated hereby.

NOW, **THEREFORE**, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I

DEFINITIONS; CONSTRUCTION

Section 1.1 Definitions. The following capitalized terms as used herein shall have the meanings ascribed to them in this Article I:

"*Adjusted Final Merger Consideration*" has such meaning as set forth in Section 2.11(f).

"*Adjustment Documents*" has such meaning as set forth in Section 2.11(c).

"*Affiliate*" means, with respect to a Person, (i) any holder of 10% or more of the capital stock (measured on a fully diluted basis) of such Person, (ii) any director, or executive officer of such Person, (iii) any Person that directly or indirectly controls, is controlled by, or is under common control with, such Person or (iv) any member of the immediate family of any such Persons.

"*Agreement*" has such meaning as set forth at the beginning of this Agreement.

"*Allocation Certificate*" has such meaning as set forth in Section 2.6(a).

"*Allocation Certificate Items*" means all share numbers and dollar amounts set forth on the Allocation Certificate provided to Parent as of the date of this Agreement, as updated from time to time by the Company in accordance with the terms of this Agreement, including the Final Allocation Certificate.

"*Audited Financial Statements*" has such meaning as set forth in Section 3.7(a).

"*Basket*" has such meaning as set forth in Section 7.3(b).

"*Business Day*" means a day (a) other than Saturday or Sunday and (b) on which commercial banks are open for business in San Diego, California.

"*Certificate of Merger*" has such meaning as set forth in Section 2.2.

"*Certificate*" shall mean, with respect to shares of Company Capital Stock, certificates that, immediately prior to the Effective Time, represented any such shares, and with respect to Company Warrants, the appropriate corresponding documentation that, immediately prior to the Effective Time, represented such securities.

"*CFIUS*" means the Committee on Foreign Investment in the United States.

"*CGCL*" means the California General Corporation Law, as amended.

"*Change in Control Agreements*" has such meaning as set forth on Schedule 1.1(a).

"*Change in Control Amounts*" shall mean amounts payable on the Closing Date by the Company in connection with or as a result, in whole or in part, of the consummation of the Merger pursuant to the terms of the Change in Control Agreements.

"*Claim*" has such meaning as set forth in Section 5.7(b).

"*Claim Notice*" has such meaning as set forth in Section 7.4(a).

"*Closing*" has such meaning as set forth in Section 2.2.

"*Closing Adjustment*" has such meaning as set forth in Section 2.11(a).

"*Closing Date*" has such meaning as set forth in Section 2.2.

"*Closing Date Cash Amount*" means the aggregate amount of cash and cash equivalents of the Company and its Subsidiaries on a consolidated basis as of the Closing Date after all Closing Payments have been made.

"*Closing Date Balance Sheet*" means the consolidated balance sheet of the Company immediately prior to the Effective Time.

"*Closing Net Working Capital*" means, with respect to the Closing Date Balance Sheet, (i) total current assets of the Company, including accounts receivable (net of allowances for doubtful accounts), inventory (net of reserves), prepaid expenses and security deposits, less (ii) total current liabilities of the Company, including accounts payable, accrued vacation, accrued performance bonuses related to 2010, accrued payroll, accrued incentive compensation, product warranty reserve, accrued Taxes (other than federal and state income Taxes) and other accrued liabilities, in all cases as determined in a manner consistent with the Company's past practices, and with respect to each such item, in accordance with GAAP; *provided, however*, that (i) cash and cash equivalents, (ii) the current portion of the Company Capital Lease and long term debt (and the accounts receivable line of credit), (iii) accrued Transaction Expenses and (iv) accrued federal and state income Taxes shall not be included in calculating Closing Net Working Capital. The determination of current assets and current liabilities for working capital purposes shall be performed without regard to the current portion of deferred tax assets and liabilities.

"*Closing Payment Schedule*" has such meaning as set forth in Section 2.9(a)(i).

"*Closing Payments*" means the SVB Indebtedness, the Company Capital Lease, the Change in Control Amounts, the Discretionary Bonus Amount, the Transaction Expenses, the D&O Policy Tail Fee and the Company Filing Fees.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Common Warrant Consideration*" has such meaning as set forth in Section 2.6(c)(iii).

"*Company*" has such meaning as set forth at the beginning of this Agreement.

"*Company Board*" means the Board of Directors of the Company.

"*Company Bylaws*" has such meaning as set forth in Section 3.4(a).

"*Company Capital Lease*" means the Finance Lease Agreement, dated as of September 2, 2009, by and between Electro Rent Corporation and the Company.

"*Company Capital Stock*" means the Company Common Stock and Company Preferred Stock.

"*Company Charter*" has such meaning as set forth in Section 3.4(a).

"*Company Common Stock*" means all outstanding shares of common stock of the Company, par value $0.001, as of the Closing Date.

"*Company Common Warrants*" means any warrants to purchase or otherwise acquire Company Common Stock, including the warrants set forth on Section 3.2(d) of the Company Disclosure Schedule.

"*Company Contract*" means any Contract to which the Company is a party or to which the Company or any of its properties or assets (whether tangible or intangible) is subject or bound.

"*Company Disclosure Schedule*" has such meaning as set forth in the preamble in Article III.

"*Company Filing Fees*" shall mean the Company's portion of the applicable filings fees under the HSR Act in connection with the Merger pursuant to Section 5.5.

"*Company Intellectual Property*" shall mean any Intellectual Property that is owned by, or exclusively licensed to, the Company.

"*Company License Agreements*" has such meaning as set forth in Section 3.17(h).

"*Company Material Adverse Effect*" means any fact, event, circumstance or effect, other than any Excluded Event, that (i) is material and adverse to the business, the financial condition or results of operations of the Company, taken as a whole, or (ii) prevents or materially delays the ability of the Company to perform in all material respects its obligations under this Agreement or to consummate the transactions in accordance with the terms hereof; *provided, however*, if any Excluded Event in subsection (iii), (iv) or (v) of the definition of Excluded Event affects the Company disproportionately relative to other participants in the telecommunications industry, such Excluded Event in subsection (iii), (iv) or (v) of the definition of Excluded Event shall be considered in determining whether a Company Material Adverse Effect has occurred. A Key Contract Adverse Event shall be deemed a Company Material Adverse Effect.

"*Company Multiemployer Plan*" means a "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) to which the Company or any of its ERISA Affiliates is or has been obligated to contribute or otherwise may have any liability.

"*Company Option Plan*" means the Company's 2001 Stock Plan, as amended.

"*Company Options*" means the options to purchase shares of the Company Common Stock issued pursuant to the Company Option Plan.

"*Company Owned Intellectual Property*" shall mean all Intellectual Property owned or purported to be owned by the Company.

"*Company Permits*" has such meaning as set forth in Section 3.12(a).

"*Company Plan*" means a "pension plan" (as defined in Section 3(2) of ERISA (other than a Company Multiemployer Plan)), a "welfare plan" (as defined in Section 3(1) of ERISA), or any other material written or oral bonus, change in control, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, restricted stock, stock appreciation right, equity compensation, holiday pay, vacation, retention, severance, medical, dental, vision, disability, death benefit, sick leave, fringe benefit, personnel policy, insurance or other plan, arrangement or understanding, in each case currently maintained by the Company or any of its ERISA Affiliates or as to which the Company or any of its ERISA Affiliates currently contributes or otherwise may have any liability in respect of any former or current Employee.

"*Company Preferred Stock*" means the Company Series A Preferred Stock and the Company Series B Preferred Stock.

"*Company Products*" has such meaning as set forth in Section 3.17(c).

"*Company Registered Intellectual Property*" shall mean all of the Registered Intellectual Property owned by, or filed in the name of, the Company.

"*Company Securityholders*" means the holders of outstanding shares of Company Capital Stock, Company Warrants and Company Options, as of the Effective Time.

"*Company Series A Preferred Stock*" means all outstanding shares of Series A Preferred Stock of the Company, par value $0.001, as of the Effective Time.

"*Company Series B Preferred Stock*" means all outstanding shares of Series B Preferred Stock of the Company, par value $0.001, as of the Effective Time.

"*Company Series A Preferred Warrants*" means any warrants to purchase or otherwise acquire Company Series A Preferred Stock, including the warrants set forth on Section 3.2(d) of the Company Disclosure Schedule.

"*Company Series B Preferred Warrants*" means any warrants to purchase or otherwise acquire Company Series B Preferred Stock, including the warrants set forth on Section 3.2(d) of the Company Disclosure Schedule.

"*Company Warrants*" means the Company Common Warrants, the Company Series A Preferred Warrants and the Company Series B Preferred Warrants.

"*Compensation Agreements*" has such meaning as set forth in Section 3.15.

"*Confidentiality Agreement*" has such meaning as set forth in Section 5.4.

"*Contract*" means any note, bond, mortgage, indenture, lease, contract, insurance policy, covenant or other agreement (written or oral), instrument or commitment, permit, concession, franchise or license.

"*CPR*" has such meaning as set forth in Section 9.8(b).

"*CPR Rules*" has such meaning as set forth in Section 9.8(b).

"*D&O Insurance*" has such meaning as set forth in Section 5.7(c).

"*D&O Policy Tail Fee*" shall mean all fees and expenses incurred by the Company in connection with obtaining the D&O Insurance pursuant to Section 5.7(c).

"*Damages*" means all assessments, losses, damages, Liabilities, debts, charges (including judgments and decrees which give rise to any of the foregoing), costs and expenses, including, without limitation, interest, penalties, liquidated damages, court costs, reasonable attorney's fees and expenses; *provided, however*, Damages shall exclude any punitive damages and damages associated with any lost profits or lost opportunities (including the loss of future revenue, income or profits, diminution of value or loss of business reputation).

"*DGCL*" means the Delaware General Corporation Law, as amended.

"*Dispute*" has such meaning as set forth in Section 9.8(a).

"*Dispute Notice*" has such meaning as set forth in Section 9.8(b).

"*Disputing Party*" has such meaning as set forth in Section 9.8(a).

"*Discretionary Bonus Amount*" has such meaning as set forth on Schedule 1.1(a).

"*Dissenting Shares*" has such meaning as set forth in Section 2.7.

"*Dissenting Stockholder*" has such meaning as set forth in Section 2.7.

"*Earnout Determination Date*" has such meaning as set forth in Section 2.10(a)(iv).

"*Earnout Payment*" has such meaning as set forth in Section 2.10(a)(i).

"*Earnout Payment Dispute Notice*" has such meaning as set forth in Section 2.10(a)(ii).

"*Earnout Period*" has such meaning as set forth in Section 2.10(b)(i).

"*Effective Time*" has such meaning as set forth in Section 2.2.

"*Employee*" means any current, former or retired employee, consultant, officer or director of the Company.

"*Employment Agreements*" has such meaning as set forth in Section 3.14(a).

"*Environmental Law*" means any law, past or present and as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, or common law, relating to pollution or protection of the environment, health or safety or natural resources, including those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Substances.

"*Environmental Permit*" means any permit, approval, identification number, license or other authorization required under any applicable Environmental Law.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended.

"*ERISA Affiliate*" means any trade or business (whether or not incorporated) which would be considered a single employer with the Company pursuant to Section 414(b), (c), (m) or (o) of the Code and the regulations promulgated under those sections or pursuant to Section 4001(b) of ERISA and the regulations promulgated thereunder.

"*Escrow Account*" has such meaning as set forth in Section 2.9(b).

"*Escrow Agent*" shall mean Deutsche Bank (or its trust/escrow services division).

"*Escrow Agreement*" shall mean the escrow agreement relating to indemnification claims under this Agreement, in the form reasonably acceptable to Parent and the Company, executed by Parent, the Stockholder Representative and the Escrow Agent.

"*Escrow Amount*" has such meaning as set forth in Section 2.9(b).

"*Escrow Release Date*" has such meaning as set forth in Section 2.9(b).

"*Estimated Closing Date Balance Sheet*" has such meaning as set forth in Section 2.11(a).

"*Estimated Closing Net Working Capital*" has such meaning as set forth in Section 2.11(a).

"*Estimated NOL Suspension Amount*" has such meaning as set forth in Section 2.9(c).

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

"*Exchange Agreement*" shall mean the exchange agreement, in the form reasonably acceptable to Parent and the Company, executed by Parent and the Paying Agent.

"*Excluded Event*" means any one or more of the following: (i) changes in Laws, rules or regulations of general applicability or interpretations thereof by Governmental Authority, (ii) changes in United States generally accepted accounting principles, (iii) general changes in economic conditions or general changes in the industry in which the Company operates generally, (iv) changes in general financial or capital market conditions, (v) changes in national or international political or social conditions including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon or within the United States, or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, (vi) earthquakes, hurricanes, other natural disasters or acts of God, (vii) failure to meet internal projections or forecasts (provided that the underlying causes of any such change shall not be excluded pursuant to this clause (vii)), or (viii) changes resulting from any action or omission taken with the prior written consent of Merger Sub and Parent, or as otherwise expressly permitted or required by this Agreement, or any action otherwise taken by Merger Sub, Parent or any Parent Subsidiaries.

"*Execution Date*" has such meaning as set forth at the beginning of this Agreement.

"*Executive Stockholder Release*" has such meaning as set forth in Section 6.2(h).

"*Exon-Florio*" means the Exon-Florio Amendment to the Defense Production Act of 1950, as amended.

"*Expenses*" means any and all expenses incurred in connection with investigating, defending or asserting any claim, action, suit or proceeding incident to any matter hereunder (including court filing fees, court costs, arbitration fees or costs, witness fees, and reasonable fees and disbursements of legal counsel, investigations, expert witnesses, consultants, accountants, valuation experts and other professionals).

"*Extension Days*" mean the number of days (but not less than zero) equal to (i) the sum of (x) the number of Business Days that elapse between the Execution Date and the filing by the Parties of the draft notice to CFIUS pursuant to Section 5.5, plus (y) the number of Business Days that elapse between the filing by the Parties of the draft notice to CFIUS pursuant to Section 5.5 and the filing of the formal CFIUS Notice, less (ii) five (5) Business Days.

"*Final Allocation Certificate*" shall have such meaning as set forth in Section 2.6(a).

"*Financial Statements*" has such meaning as set forth in Section 3.7(b).

"*GAAP*" means United States generally accepted accounting principals, applied on a basis consistent with the basis on which the Financial Statements were prepared.

"*Gilat*" has such meaning as set forth at the beginning of this Agreement.

"*Governmental Authority*" means any United States and/or foreign, federal, state, provincial, local or other governmental authority of any kind or nature, including any department, subdivision, commission, board, bureau, agency or instrumentality thereof, any court and any administrative agency, and any comparable body performing any governmental functions.

"*Government Contract*" means any Government Prime Contract or Government Subcontract, together with any modifications, amendments or waivers thereto, as to which either (i) any performance is outstanding; (ii) the Government has not made final payment; (iii) any routine cost audits have not been completed; or (iv) there is any outstanding audit, investigation, or dispute. A task order or delivery order is not itself a Government Contract but is a part of the Government Contract under which it was issued.

"*Government Prime Contract*" means any Contract (including a prime contract, basic ordering agreement, letter contract, or purchase order) between the Company and any Governmental Authority.

"*Government Proposal*" has the meaning set forth in Section 3.25(h).

"*Government Subcontract*" means any Contract (including a subcontract, basic ordering agreement, letter subcontract, or purchase order) between the Company and any higher-tier contractor relating to a Contract issued by a Governmental Authority.

"*Hazardous Substances*" means (a) petroleum and petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials, lead-based paints, mold, methyl-tertiary butyl ether (MTBE), and PCBs, and (b) any chemicals, materials or substances (i) that are listed, regulated, or defined under any applicable Environmental Law; (ii) that are defined as "pollutants," "contaminants," "hazardous materials," "hazardous wastes," "hazardous substances," "chemical substances," "radioactive materials," "solid wastes," or other similar designations in any Environmental Law; or (iii) that pose a hazard to human health, safety, natural resources, employees, or the environment.

"*HSR Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*In-the-Money Common Warrant*" has such meaning as set forth in Section 2.6(c)(iii).

"*In-the-Money Option*" has such meaning as set forth in Section 2.6(c)(i).

"*In-the-Money Series A Preferred Warrant*" has such meaning as set forth in Section 2.6(c)(iii).

"*In-the-Money Series B Preferred Warrant*" has such meaning as set forth in Section 2.6(c)(iii).

"*In-the-Money Warrants*" has such meaning as set forth in Section 2.6(c)(iii).

"*Indebtedness*" means any indebtedness of the Company, whether or not contingent, (a) in respect of borrowed money (including term loans, accounts receivable line of credit and other debt facilities); (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof); (c) the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP (including the Company Capital Lease); (d) consisting of the balance deferred and unpaid of the purchase price of any property; (e) any other items that would be appear as a liability upon a balance sheet of the Company prepared in accordance with GAAP; or (f) all indebtedness of others which is either secured by a Lien on any asset of the Company or guaranteed by the Company.

"*Indemnified Parties*" has such meaning as set forth in Section 5.7(b).

"*Indemnified Party*" has such meaning as set forth in Section 7.4(a).

"*Indemnifying Party*" has such meaning as set forth in Section 7.4(a).

"*Indemnity Claim*" means the amount of any and all Losses incurred by an Indemnified Party.

"*Independent Auditor*" has such meaning as set forth in Section 2.10(a)(iii).

"*Information Statement*" has such meaning as set forth in Section 5.3.

"*Initial Outside Date*" has such meaning as set forth in Section 8.1(d).

"*Intellectual Property*" shall mean any or all of the following and all rights in, arising out of, or associated therewith: (a) all United States, international and foreign patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof; (b) all inventions (whether patentable or not), invention disclosures, improvements, trade secrets, proprietary information, know how, technology, technical data and customer lists, and all documentation relating to any of the foregoing; (c) all copyrights, copyrights registrations and applications therefor, and all other rights corresponding thereto throughout the world; (d) all mask works, mask work registrations and applications therefor, and any equivalent or similar rights in semiconductor masks, layouts, architectures or topology; (e) domain names, uniform resource locators and other names and locators associated with the Internet; (f) all Software; (g) all industrial designs and any registrations and applications therefor throughout the world; (h) all trade names, logos, common law trademarks and service marks, trademark and service mark registrations and applications therefor throughout the world; (i) all databases and data collections and all rights therein throughout the world; (j) all moral and economic rights of authors and inventors, however denominated, throughout the world, and (k) any similar or equivalent rights to any of the foregoing anywhere in the world.

"*Inventory*" shall mean all inventory of the Company, wherever located, including all finished goods, work in process, raw materials, spare parts and all other materials and supplies to be used or consumed by the Company in the production of Company Products.

"*International Trade Laws and Regulations*" means all applicable Law concerning the importation of merchandise, the export or re-export of products, services and technology, including United States Code, Title 13, Chapter 9 Collection and Publication of Foreign Commerce and Trade Statistics administered by the United States Census Bureau, the Tariff Act of 1930, as amended, and other laws administered by the United States Customs and Border Protection, regulations issued or enforced by the United States Customs and Border Protection, the Export Administration Act of 1979, as amended, the Export Administration Regulations, the International Emergency Economic Powers Act, the Arms Export Control Act of 1976, ITAR, any other export controls administered by an agency of the U.S. Government, Executive Orders of the President regarding embargoes and restrictions on trade with designated countries and Persons, the embargoes and restrictions administered by the United States Office of Foreign Assets Control, the Federal Corrupt Practices Act of 1977, the anti-boycott regulations administered by the United States Department of Commerce, the anti-boycott regulations administered by the United States Department of the Treasury, legislation and regulations of the United States and other countries implementing the North American Free Trade Agreement, antidumping and countervailing duty laws and regulations, laws and regulations by other countries implementing the OECD Convention on Combating Bribery of Foreign Officials.

"*ITAR*" means the International Traffic in Arms Regulations set forth at 22 C.F.R. Parts 120 et. seq.

"*Key Contract*" has such meaning as set forth on Schedule 1.1(a).

"*Key Contract Adverse Event*" has such meaning as set forth on Schedule 1.1(a).

"*Knowledge*" means (a) the actual knowledge of the individuals listed on Schedule 1.1(b) hereto, and (b) the knowledge that each such person has obtained, or would reasonably be expected to obtain, from a reasonable inquiry of such person's direct reports or the other most senior employee who would reasonably be expected to have knowledge of the accuracy of the applicable representations and warranties set forth in Article III.

"*Law*" means, as to any Person, any statute, rule, regulation, ordinance, code, guideline, law, judicial decision, determination, order (including any injunction, judgment, writ, award or decree), or consent of the Court, other Governmental Authority or arbitrator, in each case applicable to or binding upon such Person, including the conduct of its business, or any of its assets or revenues to which such Person or any of its assets or revenues are subject.

"*Legal Compliance Failures*" means, as to the Company or any Subsidiary, any Liability resulting from the failure of the Company or any Subsidiary prior to the Closing Date to comply with any order of any Governmental Authority or any Law applicable to the Company or any Subsidiary, its respective employees (including the classification thereof), any of its respective properties or assets or its business operations. Legal Compliance Failures shall also include any Liability of the Company or any Subsidiary, or to the Knowledge of the Company, any of its other Affiliates, arising from each of the following: (i) reports of audits or other investigations by a Governmental Authority of any Government Contract (present or within the past five (5) years) or Government Proposal or decisions of Governmental Authority officials that conclude that the Company engaged in overcharging or defective pricing or otherwise violated the FAR or U.S. Federal Cost Accounting Standards (CAS) in its estimating, accrual or allocation of indirect costs, and with respect to direct costs, any such costs disallowed to the extent such disallowance is caused by any inconsistency with the relevant CAS Disclosure Statement submitted by the Company or any of its Affiliates or (ii) audits or other investigations by a Governmental Authority with respect to the Company's or any Subsidiary's employees or consultants or their use in connection with the Company's or any Subsidiary's business.

"*Liabilities*" or "*Liability*" means any liability or obligation of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise.

"*Liens*" has such meaning as set forth in Section 3.11(a).

"*Losses*" has such meaning as set forth in Section 5.7(b).

"*Material Contract*" has such meaning as set forth in Section 3.21(a).

"*Merger*" has such meaning as set forth in Recitals hereof.

"*Merger Consideration*" means (A) the sum of $130,000,000 (One Hundred Thirty Million Dollars), the Earnout Payment (as determined in connection with Section 2.10) and the Closing Date Cash Amount (prior to the payment of the Closing Payment Schedule), less (B) the amounts listed on the Closing Payment Schedule, which shall include all Closing Payments.

"*Merging Corporations*" means Merger Sub and the Company, collectively.

"*Merger Sub*" has such meaning as set forth at the beginning of this Agreement.

"*Negotiation Period*" has such meaning as set forth in Section 9.8(a).

"*Net Working Capital Adjustment*" has such meaning as set forth in Section 2.11(f).

"*New Benefit Plans*" has such meaning as set forth in Section 5.8(a).

"*NOL Suspension*" has such meaning as set forth in Section 2.9(c).

"*Notice Period*" has such meaning as set forth in Section 7.4(b).

"*Option Consideration*" has such meaning as set forth in Section 2.6(c)(i).

"*Ordinary Course Grants*" has such meaning as set forth in Section 5.1(d).

"*Ordinary Course Terms*" has such meaning as set forth in Section 5.1(d).

"*Outside Date*" has such meaning as set forth in Section 8.1(d).

"*Parachute Payment Waiver*" has such meaning as set forth in Section 5.11(a).

"*Parent*" has such meaning as set forth at the beginning of this Agreement.

"*Parent Accountant*" has such meaning as set forth in Section 2.11(b).

"*Parent Material Adverse Effect*" has such meaning as set forth in Section 4.3.

"*Parent Representatives*" has such meaning as set forth in Section 5.4.

"*Parent Subsidiaries*" has such meaning as set forth in Section 4.5.

"*Party*", and together, "*Parties*", have such meaning as set forth in the beginning of this Agreement.

"*Paying Agent*" has such meaning as set forth in Section 2.8(a).

"*Payment Fund*" has such meaning as set forth in Section 2.8(a).

"*PCB*" means polychlorinated biphenyls.

"*Per Share Amount*" shall mean an amount of cash equal to the quotient obtained by dividing (a) the sum of (i) the Merger Consideration (as adjusted pursuant to Section 2.11), plus (ii) the sum of the aggregate exercise prices of the total issued and outstanding In-the-Money Common Options and In-the-Money Common Warrants, less (iii) the Preferred Preference that is payable in respect of any shares of Company Preferred Stock outstanding as of the Effective Time, by (b) the Total Outstanding Common Shares, rounded to the nearest one-hundred thousandth (0.00001) (with amounts of 0.000005 and above rounded up).

"*Permitted Liens*" means easements, covenants, conditions, restrictions and other similar matters of record on real property, leasehold estates, personal property or intangible property that do not in any material respect detract from the value or marketability thereof and do not individually or in the aggregate in any material respect interfere with or restrict the present use of the property subject thereto.

"*Person*" means an individual, company, agency, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or Governmental Authority.

"*Pre-Closing Tax Period*" means any taxable period ending on or before the Closing Date and that portion of any Straddle Period that ends on the Closing Date.

"*Pre-Closing Taxes*" means any Taxes allocable to the Pre-Closing Tax Period. For this purpose, (i) any Taxes relating to a Straddle Period that are not based on or measured by income, receipts or payroll or other compensation expenses shall be allocable to the Pre-Closing Tax Period in an amount equal to the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days during the Straddle Period that are in the Pre-Closing Tax Period and the denominator of which is the total number of days in the Straddle Period; and (ii) any Taxes based on or measured by income, receipts or payroll or other compensation expenses relating to a Straddle Period shall be allocable to the Pre-Closing Tax Period based on an interim closing of the books as of the close of business on the Closing Date.

"*Preferred Preference*" shall mean that amount, calculated as of the Closing, equal to the sum of (a) the Series A Preferred Preference and (b) the Series B Preferred Preference.

"*Proceedings*" means any claims, controversies, demands, actions, lawsuits, investigations, proceedings or other disputes, formal or informal, including any by, involving or before any arbitrator or any Governmental Authority.

"*Purchase Orders*" has such meaning as set forth on Schedule 1.1(a).

"*Purchase Proposal*" means any written proposal, offer or indication of interest from any Person relating to (a) a merger, consolidation, recapitalization, share exchange or other similar business transaction involving the Company; (b) the acquisition by any Person in any manner of a number of shares of any class of equity securities of the Company greater than fifty percent (50%) of the number of such shares outstanding before such acquisition; or (c) the acquisition by any Person in any manner, directly or indirectly, of over fifty percent (50%) of the consolidated assets of the Company, in each case, other than the transactions contemplated by this Agreement.

"*Registered Intellectual Property*" shall mean all United States, international and foreign: (a) patents and patent applications (including provisional applications); (b) registered trademarks, applications to register trademarks, intent-to-use applications, or other registrations or applications related to trademarks; (c) registered copyrights and applications for copyright registration; and (d) any other Intellectual Property that is the subject of an application, certificate, filing, registration or other document issued, filed with, or recorded by any Governmental Authority.

"*Requisite Stockholder Approval*" means the approval of this Agreement and the transactions contemplated thereby by the requisite number of Stockholders required to approve this Agreement and the transactions contemplated hereby as provided by the DGCL, the CGCL and the Company Charter and Company Bylaws.

"*Retention Account*" has such meaning as set forth in Section 7.6(e).

"*Retention Amount*" has such meaning as set forth in Section 7.6(e).

"*Revenue*" has such meaning as set forth in Section 2.10(b)(ii).

"*Release*" means any presence, emission, spill, seepage, leak, escape, leaching, discharge, injection, pumping, pouring, emptying, dumping, disposal, migration, or release of Hazardous Materials from any source into or upon the environment, including the air, soil, improvements, surface water, groundwater, the sewer, septic system, storm drain, publicly owned treatment works, or waste treatment, storage, or disposal systems.

"*Remediation*" means any abatement, investigation, clean-up, removal action, remedial action, restoration, repair, response action, corrective action, monitoring, sampling and analysis, installation, reclamation, closure, or post-closure in connection with the suspected, threatened or actual Release of Hazardous Materials.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Series A Preferred Preference*" shall mean that amount set forth in the Allocation Schedule.

"*Series A Preferred Preference Per Share*" shall mean the amount equal to the quotient obtained by dividing (a) the sum of (i) Series A Preferred Preference plus (ii) the aggregate exercise prices of the In-the-Money Series A Preferred Warrants, by (b) the Total Outstanding Series A Preferred Shares, rounded to the nearest one-hundred thousandth (0.00001) (with amounts of 0.000005 and above rounded up).

"*Series A Preferred Warrant Consideration*" has such meaning as set forth in Section 2.6(c)(iii).

"*Series B Preferred Preference*" shall mean that amount set forth in the Allocation Schedule.

"*Series B Preferred Preference Per Share*" shall mean the amount equal to the quotient obtained by dividing (a) the sum of (i) Series B Preferred Preference plus (ii) the aggregate exercise prices of the In-the-Money Series B Preferred Warrants, by (b) the Total Outstanding Series B Preferred Shares, rounded to the nearest one-hundred thousandth (0.00001) (with amounts of 0.000005 and above rounded up).

"*Series B Preferred Warrant Consideration*" has such meaning as set forth in Section 2.6(c)(iii).

"*Software*" shall mean any and all (i) computer programs, including any and all software implementations of algorithms, models and methodologies, whether in source code or object code, (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (iii) descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing and (iv) all user documentation, including user manuals and training materials, relating to any of the foregoing.

"*Stockholder Release*" has such meaning as set forth in Section 6.2(g).

"*Stockholder Representative*" has such meaning as set forth in Section 7.6.

"*Stockholder Representative Account*" has such meaning as set forth in Section 7.6(d).

"*Stockholder Representative Account Fund*" has such meaning as set forth in Section 7.6(d).

"*Stockholder Representative Account Release Date*" has such meaning as set forth in Section 7.6(d).

"*Stockholders*" means the stockholders of the Company.

"*Straddle Period*" means any taxable period that begins on or before, but ends after, the Closing Date.

"*Subsidiary*" means any corporation, partnership, limited liability company, joint venture or other legal entity of which Parent or the Company, as the case may be (either alone or through or together with any other Subsidiary), owns, directly or indirectly, fifty percent (50%) or more of the stock or other equity interests the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation, partnership, limited liability company, joint venture or other legal entity means.

"*Surviving Corporation*" has such meaning as set forth in Section 2.1.

"*SVB Indebtedness*" shall mean all outstanding principal, accrued but unpaid interest and any other amounts due and payable on the Closing Date in connection with the repayment in full on the Closing Date of (i) that certain Loan and Security Agreement, dated as of May 7, 2008, by and between the Company and Silicon Valley Bank, as amended by that certain Amendment to Loan and Security Agreement, dated as of September 9, 2008, by and between the Company and Silicon Valley Bank and that certain Amendment to Loan and Security Agreement, dated as of April 23, 2010, by and between the Company and Silicon Valley Bank and (ii) that certain Loan and Security Agreement, dated as of August 13, 2004, by and between the Company and Silicon Valley Bank, as amended by that certain Assumption and Amendment to Loan and Security Agreement, dated as of April 2, 2007, by and between the Company and Silicon Valley Bank. SVB Indebtedness shall include without limitation the items listed on Schedule 2.9 as owed to Silicon Valley Bank as of the Closing Date.

"*Target Net Working Capital*" has such meaning as set forth in Section 2.11(a).

"*Tax Returns*" has such meaning as set forth in Section 3.9(a).

"*Taxes*" has such meaning as set forth in Section 3.9(a).

"*Third-Party Claim*" has such meaning as set forth in Section 7.4(a).

"*Treasury Regulation*" means the temporary and final regulations promulgated under the Code.

"*Total Outstanding Common Shares*" shall mean the sum of (a) the aggregate number of shares of Company Common Stock issued and outstanding as of the Effective Time, (b) the aggregate number of shares of Company Common Stock issuable upon the exercise of outstanding In-the-Money Options as of the Effective Time and (c) the aggregate number of shares of Company Common Stock issuable upon the exercise of outstanding In-the-Money Common Warrants of the Effective Time.

"*Total Outstanding Series A Preferred Shares*" shall mean the sum of (a) the aggregate number of shares of Company Series A Preferred Stock issued and outstanding as of the Effective Time and (b) the aggregate number of shares of Company Series A Preferred Stock issuable upon the exercise of outstanding In-the-Money Series A Preferred Warrants as of the Effective Time.

"*Total Outstanding Series B Preferred Shares*" shall mean the sum of (a) the aggregate number of shares of Company Series B Preferred Stock issued and outstanding as of the Effective Time and (b) the aggregate number of shares of Company Series B Preferred Stock issuable upon the exercise of outstanding In-the-Money Series B Preferred Warrants as of the Effective Time.

"*Transaction Expenses*" means all fees, costs and expenses incurred by the Company with respect to any legal, investment banking, tax and stockholder representative advisors retained by the Company prior to the Effective Time in connection with the transactions contemplated by this Agreement.

"*Unaudited Financial Statements*" has such meaning as set forth in Section 3.7(b).

"*Wage and Hour Laws*" shall have such meaning as set forth in Section 3.14(c).

"*Wavestream Asia*" has such meaning as set forth in Section 3.6.

"*Warrant Consideration*" has such meaning as set forth in Section 2.6(c)(iii).

"*Worker Safety Laws*" has such meaning as set forth in Section 3.12(c).

Section 1.2 Construction. Unless the context of this Agreement clearly requires otherwise, (a) references to the plural include the singular, and references to the singular include the plural, (b) references to any gender include the other gender, (c) the words "include," "includes" and "including" do not limit the preceding terms or words and will be deemed to be followed by the words "without limitation", (d) the terms "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, (e) the terms "day" and "days" mean and refer to calendar day(s) and (f) the terms "year" and "years" mean and refer to calendar year(s). Unless otherwise set forth herein, references in this Agreement to (a) any document, instrument or agreement (including this Agreement) include (1) all exhibits, schedules and other attachments thereto, (2) all documents, instruments or agreements issued or executed in replacement thereof and (3) such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified or supplemented from time to time in accordance with its terms and in effect at any given time, and (b) a particular Law means such Law as amended, modified, supplemented or succeeded, from time to time and in effect through the Closing Date. All Article, Section, Exhibit and Schedule references herein are to Articles, Sections, Exhibits and Schedules of this Agreement, unless otherwise specified. This Agreement will not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if all Parties had prepared it. All accounting terms not specifically defined herein will be construed in accordance with GAAP.

ARTICLE II

THE MERGER

Section 2.1 The Merger. Upon the terms and subject to the conditions hereof, and in accordance with the DGCL, Merger Sub shall be merged with and into the Company at the Effective Time. As a result of the Merger, the separate corporate existence of Merger Sub shall cease and the Company shall continue as the surviving corporation of the Merger ("*Surviving Corporation*") and shall continue its corporate existence under the DGCL.

Section 2.2 Closing; Effective Time. The closing of the Merger (the "*Closing*") shall take place as promptly as practicable after the execution and delivery of this Agreement by the parties hereto, but no later than two (2) Business Days following the satisfaction or waiver of the conditions set forth in Article VI (other than those conditions that by their nature are satisfied at Closing, but subject to the waiver or fulfillment of those conditions) at the offices of Morrison & Foerster LLP, 12531 High Bluff Drive, San Diego, California 92130, at 10:00 a.m., local time, or at such other time and place as Parent and the Company shall agree (the "*Closing Date*"). The Parties acknowledge and agree that time is of the essence with respect to the Closing, and will use commercially reasonable efforts to satisfy the conditions set forth in Article VI and effectuate the Closing as promptly as practicable. On the Closing Date and subject to the terms and conditions hereof, the Parties hereto shall cause the Merger to be consummated by filing a Certificate of Merger, substantially in the form attached hereto as Exhibit A (the "*Certificate of Merger*"), executed in accordance with the relevant provisions of the DGCL, with the Secretary of State of the State of Delaware. The Merger shall become effective at such time as the Certificate of Merger is duly filed with and accepted by the Secretary of State of the State of Delaware, or at such later time as Parent and the Company shall agree and specify in the Certificate of Merger, such time being referred to herein as the "*Effective Time*."

Section 2.3 Effects of the Merger. At the Effective Time, the effect of the Merger shall be as provided by the applicable provisions of the DGCL, this Agreement and the Certificate of Merger. Without limiting the generality of the foregoing and subject thereto, as of the Effective Time, all properties, rights, immunities, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

Section 2.4 Certificate of Incorporation; Bylaws.

(a) At and following the Effective Time, the Certificate of Incorporation of the Company attached to the Certificate of Merger filed in the State of Delaware, shall be the certificate of incorporation of the Surviving Corporation until thereafter amended as provided therein, by the DGCL or by applicable Law.

(b) At and following the Effective Time, the bylaws of the Surviving Corporation shall be amended to read the same as the bylaws of Merger Sub, as in effect immediately prior to the Effective Time, and shall be the bylaws of the Surviving Corporation, until amended as provided therein, by the DGCL or by applicable Law.

Section 2.5 Directors; Officers.

(a) The directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

(b) The officers of Merger Sub immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation and shall hold office from the Effective Time until their respective successors are duly elected or appointed and qualified in the manner provided by the bylaws of the Surviving Corporation or as otherwise provided by Law.

Section 2.6 Effect of Merger on Capital Stock.

(a) Allocation Certificate. Upon the execution of this Agreement, the Company shall deliver to Parent and the Stockholder Representative a certificate (the "*Allocation Certificate*") setting forth, as of the most recent practicable date: (i) the identity of each record holder of Company Capital Stock and the number of shares of Company Common Stock and/or Company Preferred Stock held by each such Stockholder; (ii) the identity of each holder of Company Options and Company Warrants and the number and type of shares of Company Capital Stock subject to each Company Option and Company Warrant; (iii) the portion of the Merger Consideration (as adjusted pursuant to Section 2.11) payable to each Company Securityholder pursuant to this Section 2.6; (iv) the amount of any required Tax withholding, if any, from the Merger Consideration (as adjusted pursuant to Section 2.11) to be paid to the Company Securityholders; (v) the portion of the Merger Consideration (as adjusted pursuant to Section 2.11) to be withheld from each Company Securityholder in establishing the Escrow Account; (vi) the portion of the Merger Consideration (as adjusted pursuant to Section 2.11) to be withheld from each Company Securityholder in establishing the Stockholder Representative Account; (vii) the portion of the Merger Consideration (as adjusted pursuant to Section 2.11) to be withheld from each Company Securityholder in establishing the Retention Account; (viii) the portion of the Merger Consideration (as adjusted pursuant to Section 2.11) to be paid to each Company Securityholder at Closing after deduction for the amounts set forth in (iv), (v), (vi) and (vii) above; (ix) the percentage of the Net Working Capital Adjustment to be paid to each Company Securityholder pursuant to Section 2.11(g); and (x) the percentage of the Earnout Payment to be paid to each Company Securityholder following the Earnout Determination Date pursuant to Section 2.10. Between the date hereof and Closing, the Company shall provide Parent and the Stockholder Representative with one or more updates to the Allocation Certificate as necessary to reflect (x) changes in the ownership of the Company Capital Stock during such time and (y) any adjustments to the Merger Consideration in accordance with the terms and provisions of this Agreement, and shall deliver a final Allocation Certificate at the Closing setting forth the matters described above as of the Closing (the "*Final Allocation Certificate*"). Such Final Allocation Certificate shall be deemed the definitive allocation of the Merger Consideration payable to the Company Securityholders (except with respect to changes resulting from adjustments to the Merger Consideration under Section 2.8(g), Section 2.10, Section 2.11, Section 2.12 and Article VII).

(b) Effect on Company Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, the Company or the Company Securityholders:

(i) Each share of Company Series A Preferred Stock issued and outstanding immediately prior to the Effective Time (other than any Dissenting Shares) shall be converted at the Effective Time into the right to receive an amount of cash, without interest, equal to the Series A Preferred Preference Per Share, as set forth on the Allocation Certificate, as may be adjusted pursuant to Section 2.8(g) and Article VII of this Agreement.

(ii) Each share of Company Series B Preferred Stock issued and outstanding immediately prior to the Effective Time (other than any Dissenting Shares) shall be converted at the Effective Time into the right to receive an amount of cash, without interest, equal to the Series B Preferred Preference Per Share, as set forth on the Allocation Certificate, as may be adjusted pursuant to Section 2.8(g) and Article VII of this Agreement.

(iii) Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than any Dissenting Shares and shares of Company Common Stock to be cancelled in accordance with Section 2.6(e)) shall be converted at the Effective Time into the right to receive an amount of cash, without interest, equal to the Per Share Amount, as set forth on the Allocation Certificate, as may be adjusted pursuant to Section 2.8(g) and Article VII of this Agreement.

(iv) All shares of Company Capital Stock, when so converted in accordance with this Section 2.6(b), shall no longer be outstanding and shall automatically be cancelled, and each holder of a Certificate representing any such shares of Company Capital Stock shall cease to have any rights with respect thereto, except the right to receive the applicable portion of the Merger Consideration (as adjusted pursuant to Section 2.11) with respect to such shares of Company Capital Stock in accordance with the terms of this Agreement.

(v) Notwithstanding the foregoing, a portion of the Merger Consideration (as adjusted pursuant to Section 2.11) payable to each Company Securityholder pursuant to this Section 2.6(b) with respect to shares of Company Capital Stock owned by such Company Securityholder as of the Effective Time, as set forth on the Allocation Certificate, shall be (i) withheld and placed in escrow pursuant to the provisions of Section 2.9(b) and (ii) withheld and placed in the Stockholder Representative Account in accordance with Section 7.6(d).

(c) Treatment of Company Options and Company Warrants.

(i) No Company Option shall be assumed or otherwise replaced by Parent. The Parties acknowledge that in accordance with the Company Option Plan, by virtue of the Merger and without any action on the part of the Company, Parent or Merger Sub or the holders of Company Options, each Company Option outstanding and unexercised immediately prior to the Effective Time shall be accelerated in full so that each such Company Option is fully vested and exercisable immediately prior to, but contingent upon, the Effective Time. At the Effective Time, each holder of an outstanding and unexercised Company Option with a per share exercise price less than the Per Share Amount (each, an "*In-the-Money Option*") shall be entitled to receive an amount, in cash, without interest, equal to the excess, if any, of the Per Share Amount over the per share exercise price of such In-the-Money Option (such amount being hereinafter referred to as the "*Option Consideration*"). Parent shall, or shall cause the Company to, pay to the holders of In-the-Money Options the Option Consideration (after performing any required Tax withholding) as soon as practicable after the Effective Time and in any case within ten (10) Business Days thereafter. Each Company Option outstanding and unexercised immediately prior to the Effective Time with a per share exercise price greater than or equal to the Per Share Amount shall automatically be cancelled as of the Effective Time without any consideration payable in respect thereof. Notwithstanding the foregoing, a portion of the Option Consideration payable to each Company Securityholder pursuant to this Section 2.6(c)(i) with respect to In-the-Money Options held by such Company Securityholder, as set forth on the Allocation Certificate, shall be (i) withheld and placed in escrow pursuant to the provisions of Section 2.9(a) and (ii) withheld and placed in the Stockholder Representative Account in accordance with Section 7.6. However, due to applicable legal limits on the duration of any deferral to option holders, any amounts not paid to holders of In-the-Money Options within five (5) years of the Effective Time will cease to be payable to such holders and instead shall be allocated to other Company Securityholders on a pro rata basis.

(ii) Conditional upon the Closing, each Company Option shall be cancelled and terminated as of the Effective Time in accordance with the Company Option Plan, and no holder of any such Company Option or participant in the Company Option Plan shall have any rights thereafter with respect thereto, except the right to receive the applicable portion of the Option Consideration with respect to such Company Options in accordance with the terms of this Agreement. Prior to the Effective Time, the Company shall take all actions reasonably necessary to effect the transactions anticipated by Section 2.6(c)(i) under the Company Option Plan and all Company Options, including delivering all required notices.

(iii) By virtue of the Merger and without any action on the part of the Company, Parent or Merger Sub or the holders of Company Warrants, at the Effective Time:

(1) each Company Common Warrant outstanding and unexercised immediately prior to the Effective Time with a per share exercise price less than the Per Share Amount (each, an "*In-the-Money Common Warrant*") shall be entitled to receive an amount, in cash, without interest, equal to the excess, if any, of the Per Share Amount over the per share exercise price of such In-the-Money Common Warrant (such amount being hereinafter referred to as the "*Common Warrant Consideration*");

(2) each Company Series A Preferred Warrant outstanding and unexercised immediately prior to the Effective Time with a per share exercise price less than the Series A Preferred Preference Per Share (each, an "*In-the-Money Series A Preferred Warrant*") shall be entitled to receive an amount, in cash, without interest, equal to the excess, if any, of the Series A Preferred Preference Per Share over the per share exercise price of such In-the-Money Series A Preferred Warrant (such amount being hereinafter referred to as the "*Series A Preferred Warrant Consideration*"); and

(3) each Company Series B Preferred Warrant outstanding and unexercised immediately prior to the Effective Time with a per share exercise price less than the Series B Preferred Preference Per Share (each, an "*In-the-Money Series B Preferred Warrant*", and collectively with the In-the-Money Common Warrants and the In-the-Money Series A Preferred Warrants, the "*In-the-Money Warrants*") shall be entitled to receive an amount, in cash, without interest, equal to the excess, if any, of the Series B Preferred Preference Per Share over the per share exercise price of such In-the-Money Series B Preferred Warrant (such amount being hereinafter referred to as the "*Series B Preferred Warrant Consideration*", and collectively with the Common Warrant Consideration and the Series A Preferred Warrant Consideration, the "*Warrant Consideration*").

Upon surrender of such Company Warrants, such Company Warrants shall no longer be outstanding and shall automatically be cancelled and shall cease to exist and each former holder of such Company Warrants shall cease to have any rights with respect thereto, except the right to receive the applicable portion of the Warrant Consideration with respect to such Company Warrants in accordance with the terms of this Agreement. Parent shall, or shall cause the Paying Agent of the Company to, pay to the holders of In-the-Money Warrants the Warrant Consideration (after performing any required Tax withholding) as soon as practicable after the Effective Time and in any case within two (2) Business Days thereafter. Each Company Warrant outstanding and unexercised immediately prior to the Effective Time with a per share exercise price greater than or equal to the Per Share Amount, or the Series A Preferred Preference Per Share or the Series B Preferred Preference Per Share, as the case may be, shall automatically be cancelled as of the Effective Time without any consideration payable in respect thereof. Notwithstanding the foregoing, a portion of the Warrant Consideration payable to each Company Securityholder pursuant to this Section 2.6(c)(iii) with respect to In-the-Money Warrants held by such Company Securityholder shall be (i) withheld and placed in escrow pursuant to the provisions of Section 2.9(b) and (ii) withheld and placed in the Stockholder Representative Account in accordance with Section 7.6(d). Prior to the Effective Time, the Company shall take all actions necessary to effect the transactions anticipated by Section 2.6(c)(iii) under the Company Warrants, including delivering all required notices.

(d) Merger Sub Common Stock. Each share of common stock, par value $0.001 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into one validly issued, fully paid and nonassessable share of common stock, par value $0.001 per share, of the Surviving Corporation and shall constitute the only shares of capital stock of the Surviving Corporation outstanding immediately after the Effective Time. Each stock certificate of Merger Sub evidencing ownership of any such shares shall continue to evidence ownership of such shares of capital stock of the Surviving Corporation.

(e) Cancellation of Treasury Stock and Parent-Owned Stock. Each share of Company Common Stock held in the treasury of the Company and any shares of Company Common Stock owned by Parent or by any direct or indirect wholly-owned Subsidiary of Parent or the Company (including any shares of Company Common Stock issued by the Company pursuant to a stock option) immediately prior to the Effective Time shall be canceled and extinguished without any conversion thereof and no payment shall be made with respect thereto.

Section 2.7 Dissenters' Rights. Notwithstanding anything in this Agreement to the contrary, if required by the DGCL and the CGCL (but only to the extent required thereby), shares of Company Capital Stock that are issued and outstanding immediately prior to the Effective Time and that are held by a Stockholder who properly exercises dissenters' rights thereto in accordance with the DGCL or CGCL (a "*Dissenting Stockholder*", and such shares "*Dissenting Shares*") shall not be converted as described in Section 2.6, but the holder thereof shall only be entitled to such rights as are granted by the DGCL or CGCL. If any Stockholder who holds Dissenting Shares as of the Effective Time effectively withdraws or loses (through passage of time, failure to demand or perfect, or otherwise) the right to demand and perfect appraisal rights under the DGCL or CGCL, then, as of the later of the Effective Time and the occurrence of such event, such holder's shares that were Dissenting Shares shall automatically be converted into and represent only the right to receive any portion of the Merger Consideration (as adjusted pursuant to Section 2.11) pursuant to and subject to Section 2.6 without interest thereon upon surrender of the certificate representing such shares. The Company shall give Parent (i) prompt notice of any written demands for appraisal of any shares of Company Capital Stock, withdrawals of such demands, and any other instruments or notices served pursuant to the DGCL or CGCL on the Company and (ii) the opportunity to participate in all negotiations and proceedings with respect to demands for appraisal under the DGCL or CGCL. The Company shall not, except with the prior written consent of Parent, voluntarily make any payment with respect to any demands for appraisal of Company Capital Stock, or offer to settle any such demands.

Section 2.8 Exchange Procedures.

(a) Paying Agent. At or prior to the Effective Time, (i) Parent shall appoint a commercial bank or trust company reasonably acceptable to the Company to act as exchange and paying agent, registrar and transfer agent (the "*Paying Agent*") for the purpose of distributing the Merger Consideration (as adjusted pursuant to Section 2.11), and (ii) Parent shall deposit, or Parent shall otherwise take all steps necessary to cause to be deposited, in trust with the Paying Agent for the benefit of the Company Securityholders, cash in an aggregate amount sufficient to pay the Merger Consideration (as adjusted pursuant to Section 2.11), less the Escrow Amount, the Earnout Payment, the Stockholder Representative Account Fund and the Retention Amount (and less the amounts payable to holders of In-the-Money Options and In-the-Money Warrants, which are addressed in Section 2.6(c)), in accordance with the terms of this Agreement, and as set forth on the Allocation Schedule (such aggregate amount being hereinafter referred to as the "*Payment Fund*"). For purposes of determining the aggregate amount of cash to be deposited by Parent pursuant to this Section 2.8, Parent shall assume that no Company Securityholder will perfect their right to appraisal of their Company Capital Stock under the DGCL or the CGCL. The Payment Fund shall be used as provided herein and shall not be used for any other purpose.

(b) Exchange Procedures. At or prior to the Effective Time, Parent shall cause the Paying Agent to mail to each record holder of a Certificate or Certificates (i) a notice of the effectiveness of the Merger, (ii) a form letter of transmittal which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Paying Agent, which shall be in a form and contain such other provisions as Parent and the Company may determine necessary (including without limitation Tax information and Tax withholding matters), and (iii) instructions for use in surrendering such Certificates and receiving the Merger Consideration (as adjusted pursuant to Section 2.11) in respect thereof to which such holder is entitled under this Agreement. Upon surrender to the Paying Agent of a Certificate, together with such letter of transmittal duly executed and completed in accordance with the instructions thereto and including all reasonably requested Tax and other information, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration (as adjusted pursuant to Section 2.11), as set forth on the Allocation Certificate, to be mailed as soon as practicable, but in no event more than ten (10) Business Days following receipt of such Certificate. No interest or dividends will be paid or accrued on the Merger Consideration (as adjusted pursuant to Section 2.11). If the Merger Consideration (as adjusted pursuant to Section 2.11) is to be delivered in the name of a person other than the person in whose name the Certificate surrendered is registered in the stock transfer records of the Company, it shall be a condition of such delivery that the Certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the person requesting such delivery shall pay any transfer or other Taxes required by reason of such delivery to a person other than the registered holder of the Certificate, or that such person shall establish to the reasonable satisfaction of the Surviving Corporation that such Tax has been paid or is not applicable. Until surrendered in accordance with the provisions of this Section 2.8(b), each Certificate (other than Certificates representing Dissenting Shares or Company Common Stock to be canceled pursuant to Section 2.6(e)) shall represent, for all purposes, only the right to receive an amount in cash equal to the Merger Consideration (as adjusted pursuant to Section 2.11) set forth on the Allocation Certificate without any interest or dividends thereon. Notwithstanding anything in this Section 2.8(b) to the contrary, Parent shall cause the Paying Agent to distribute, with a copy to the Stockholder Representative, the form letter of transmittal promptly following the Execution Date to each record holder that, on an aggregate basis together with all Affiliates of such record holder, holds at least 500,000 shares of Company Capital Stock, and if such record holder surrenders to the Paying Agent (i) a duly executed letter of transmittal and (ii) the applicable Certificate(s) held by such holder, at least two (2) Business Days prior to the anticipated Closing Date, and such holder continues to be the record holder of such Company Capital Stock as of the Closing Date, then the holder of such Certificate(s) shall be entitled to receive, no later than one (1) Business Day after the Closing Date a wire transfer from the Paying Agent equal to such record holder's portion of the Merger Consideration (as adjusted pursuant to Section 2.11) payable at Closing.

(c) No Further Ownership Rights in Shares. The consideration issued upon the surrender of Certificates in accordance with this Agreement shall be deemed to have been issued in full satisfaction of all rights pertaining to such Company Capital Stock formerly represented thereby, subject only to the right to receive (i) the Escrow Amount, in accordance with the terms and conditions of Section 2.9(b) and the Escrow Agreement, (ii) the Stockholder Representative Account Fund, in accordance with Section 7.6(d), (iii) the Retention Amount, in accordance with Section 7.6(e) and (iv) the Earnout Payment, in accordance with Section 2.10. After the Effective Time, there shall be no transfers on the stock transfer books of the Surviving Corporation of any shares of Company Capital Stock, Company Options or Company Warrants that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be canceled and exchanged as provided in this Article II.

(d) Termination of Fund. Any portion of the Payment Fund (including any amounts that may be payable to the former Company Securityholders of the Company in accordance with the terms of this Agreement) which remains unclaimed by the former Company Securityholders upon the eighteenth month anniversary of the Effective Time shall be returned to the Surviving Corporation, upon demand, and any former Company Securityholders who have not theretofore complied with this Article II shall, subject to Section 2.8(f), thereafter look only to the Parent and the Surviving Corporation only as general unsecured creditors thereof for payment of any Merger Consideration (as adjusted pursuant to Section 2.11), without any interest or dividends thereon, that may be payable in respect of each share of Company Capital Stock, or Company Option or Company Warrant, as the case may be, held by such Company Securityholder.

(e) Lost, Stolen or Destroyed Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if requested by Parent or the Surviving Corporation, the posting by such Person of a bond, in such reasonable amount as Parent or the Surviving Corporation may direct, as indemnity against any claim that may be made against the Paying Agent, Parent or the Surviving Corporation with respect to such Certificate, Parent will pay in exchange for such lost, stolen or destroyed Certificate the Merger Consideration (as adjusted pursuant to Section 2.11) to which the holders thereof are entitled pursuant to Section 2.6.

(f) Withholding Taxes. The right of any Person to receive payment or consideration payable upon surrender of a Certificate pursuant to the Merger or to receive payment of the Option Consideration payable with respect to In-the-Money Options held by such Person will be subject to any applicable requirements with respect to the withholding of any Tax. To the extent amounts are so withheld by Parent, the Surviving Corporation or the Paying Agent, (i) such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of Company Capital Stock or In-the-Money Options, as applicable, in respect of which the deduction and withholding was made and (ii) Parent shall, or shall cause the Surviving Corporation or the Paying Agent, as the case may be, to, promptly pay over such withheld amounts to the appropriate Governmental Authority. This Section 2.8(f) shall apply, mutatis mutandis, to any amounts payable pursuant to Section 2.6.

(g) Adjustments. Notwithstanding anything in this Agreement to the contrary, if, between the date of this Agreement and the Effective Time, the issued and outstanding Company Capital Stock, Company Options or Company Warrants shall have been changed into a different number of shares or a different class by reason of any stock split, reverse stock split, stock dividend, reclassification, redenomination, recapitalization, split-up, combination, exchange of shares or other similar transaction, the Merger Consideration (as adjusted pursuant to Section 2.11) and any other dependent items shall be appropriately adjusted to provide such holders of Company Capital Stock, Company Options or Company Warrants, as the case may be, the same economic effect as contemplated by this Agreement prior to such action and as so adjusted shall, from and after the date of such event, be the Merger Consideration (as adjusted pursuant to Section 2.11) or other dependent item, subject to further adjustment in accordance with this sentence.

(h) Further Assurances. If at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments or assurances or any other acts or things are necessary, desirable or proper (a) to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of either of the Merging Corporations, or (b) otherwise to carry out the purposes of this Agreement, the Company or Surviving Corporation, as applicable, and their respective proper officers and directors or their designees shall be authorized to execute and deliver, in the name and on behalf of either of the Merging Corporations, all such deeds, bills of sale, assignments and assurances and to do, in the name and on behalf of either Merging Corporation or any such Company Securityholders, all such other acts and things as may be necessary, desirable or proper to vest, perfect or confirm the Surviving Corporation's right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of such Merging Corporation and otherwise to carry out the purposes of this Agreement.

Section 2.9 Payment of Merger Consideration; Escrow Amount.

(a) At the Effective Time, Parent and the Company, as applicable, shall make the following payments by wire transfer of immediately available funds as follows:

(i) The Company shall pay the Closing Payments, each as of the Closing Date, and all interest accrued and fees and expenses required to satisfy such obligations; *provided, however*, that the Closing Payment Schedule shall not include multiple amounts for the same expense, debt or other payment set forth thereon), which shall be set forth on a schedule (the "*Closing Payment Schedule*") that the Company shall deliver to Parent and the Stockholder Representative not less than two (2) Business Days prior to the Closing Date and which shall be prepared consistent in all material respects with the indicative schedule attached hereto as Schedule 2.9;

(ii) The Escrow Amount shall be deposited by Parent with the Escrow Agent in accordance with Section 2.9(b), to be disbursed in accordance with the terms of this Agreement and the Escrow Agreement;

(iii) The Stockholder Representative Account Fund shall be deposited by Parent into the Stockholder Representative Account in accordance with Section 7.6(d);

(iv) The Retention Amount shall be deposited by Parent into the Retention Account in accordance with Section 7.6(e);

(v) The Merger Consideration (as adjusted pursuant to Section 2.11(a)), less the Escrow Amount, the Earnout Payment, the Stockholder Representative Account Fund, the Retention Amount and the Closing Date Cash Amount, shall be remitted to the Paying Agent by Parent in accordance with Section 2.8(a), to be disbursed in accordance with the terms of this Agreement and the Exchange Agreement; and

(vi) The Closing Date Cash Amount shall be remitted to the Paying Agent by the Company, to be disbursed in accordance with the terms of this Agreement and the Exchange Agreement as part of the Merger Consideration. Unless otherwise required by applicable Law, the Parties agree to treat, for all applicable federal and state income tax purposes, the transfer to the Paying Agent of the Closing Date Cash Amount as a distribution by the Company immediately prior to the Merger in redemption of a proportionate amount of capital stock held by the Stockholders.

(b) The aggregate sum of $13,000,000 (Thirteen Million Dollars), plus the Estimated NOL Suspension Amount, if any, (collectively, the "*Escrow Amount*") shall be deposited by Parent into an interest-bearing account (the "*Escrow Account*") with the Escrow Agent following on or prior to the Effective Time, and shall be subject to the terms of the Escrow Agreement and this Agreement, and shall remain in escrow until twelve (12) months following the Closing Date (the "*Escrow Release Date*") (subject to the terms of the Escrow Agreement relating to existing indemnification claims) or until it is paid to Parent or the holders of Company Capital Stock, Company Options and Company Warrants as of the Closing Date, as the case may be, pursuant to the Escrow Agreement and this Agreement.

(c) If prior to five (5) Business Days before the Closing Date, action is taken by the California legislature which would effect a suspension or block of the use of the net operating losses of the Company and its Subsidiaries for California state income Tax purposes for the 2010 taxable year (an "*NOL Suspension*"), then at least two (2) Business Days prior to the Closing Date, the Company shall prepare and deliver to Parent and the Stockholder Representative an estimated amount to be paid by the Company in state income Taxes to the State of California as a result of such NOL Suspension (the "*Estimated NOL Suspension Amount*"). The Estimated NOL Suspension Amount shall be prepared by the Company in good faith in consultation with Moss Adams.

Section 2.10 Earnout Payment.

(a) Calculation of Earnout Payment.

(i) An earnout payment (the "*Earnout Payment*") shall be determined based on the amount of Revenue during the Earnout Period (as such terms are defined in Section 2.10(b) below), as follows:

Revenue ($ in millions)	Earnout Payment ($ in millions)
Less than US$76.0	US$0.0
US$80.0	US$1.133
US$84.0	US$2.266
US$88.0	US$3.399
US$92.0	US$4.532
US$96.0	US$5.665
US$100.00 or more	US$6.798

If Revenue during the Earnout Period falls between one of the targets set forth above, the Earnout Payment shall be determined by linear interpolation based on the Earnout Payments for the higher and lower revenue targets. By way of clarification to illustrate the applicable linear interpolation, for every extra one dollar of Revenue, the Earnout Payment would be increased by 0.28325 dollars. In no event will the Earnout Payment exceed $6,798,000 (Six Million Seven Hundred Ninety-Eight Thousand Dollars).

(ii) Within sixty (60) days after the end of the Earnout Period, Parent shall prepare and deliver to the Stockholder Representative its estimate of the amount of Revenue and the resulting Earnout Payment, together with materials prepared by Parent that support its calculation of such amount. If the Stockholder Representative disagrees with the amount of Revenue or Earnout Payment calculated by Parent, it shall notify Parent in writing of such disagreement, setting forth in reasonable detail any adjustments in the amount of Revenue and the Earnout Payment (the "*Earnout Payment Dispute Notice*"), within forty-five (45) days after its receipt from Parent of the amount of Revenue and Earnout Payment calculated by Parent. If the Stockholder Representative does not provide Parent with an Earnout Payment Dispute Notice within such forty-five (45) day period, the Stockholder Representative shall be deemed to have accepted Parent's calculation of the Earnout Payment, which shall be final, binding and conclusive on the Parties to the Agreement and the Company Securityholders for all purposes.

(iii) If such Earnout Payment Dispute Notice is timely provided, Parent and the Stockholder Representative shall use commercially reasonable efforts for a period of thirty (30) days (or such longer period as they shall mutually agree) to resolve any disagreements with respect to the calculation of the Earnout Payment. If, at the end of such period, they are unable to resolve any remaining disagreements, then an independent accounting firm of recognized international standing as may be mutually selected by Parent and the Stockholder Representative (the "*Independent Auditor*") shall resolve any remaining disagreements pertaining to the calculation of Revenue and the Earnout Payment. Such review and dispute resolution by the Independent Auditor shall be for the sole purpose and limited to the calculation of Revenue and the Earnout Payment. If Parent and the Stockholder Representative do not agree on the Independent Auditor within thirty (30) days, the Independent Auditor shall be PricewaterhouseCoopers LLP. The Independent Auditor shall determine as promptly as possible, but in any event within thirty (30) days of the date on which such dispute is referred to Independent Auditor, whether and to what extent (if any) Parent's calculation of Revenue and the Earnout Payment is incorrect or requires recalculation. The Independent Auditor shall have no authority to make any determination with regard to this Agreement or the Parent's or the Company's business or operations other than with respect to the specific calculation of Revenue and the Earnout Payment. For purposes of clarity, any dispute arising out of or relating to the covenants contained in Section 5.12 shall be resolved pursuant to Section 9.8. The determination of Revenue and the Earnout Payment by the Independent Auditor shall be final, conclusive and binding on the parties to the Agreement and the Company Securityholders for all purposes. The parties hereby waive any right to arbitration under Section 9.8 of this Agreement with respect to the determination of Revenue and the Earnout Payment and specifically agree that neither the Parent nor any Company Securityholder shall have any right to challenge the final determination of the Independent Auditor. The fees and expenses of the Independent Auditor shall be split equally between the Parent and the Company Securityholders.

(iv) The date on which the Earnout Payment is finally determined pursuant to this Section 2.10(a) is referred to as the "*Earnout Determination Date*." Parent shall make the Earnout Payment to the Company Securityholders within five (5) business days of the Earnout Determination Date, which such Earnout Payment shall be distributed to the Company Securityholders by wire transfer in accordance with the allocations set forth on the Allocation Certificate.

(b) Certain Definitions. As used in this Agreement, the following terms have the following meanings:

(i) "*Earnout Period*" means the period fiscal year as of the Company ending on December 31, 2011.

(ii) "*Revenue*" means revenue recognized in accordance with GAAP.

Section 2.11 Adjustment of Merger Consideration.

(a) Preliminary Closing Date Balance Sheet. At least three (3) Business Days prior to the Closing Date, the Company shall prepare and deliver to Parent and the Stockholder Representative an estimated balance sheet of the Company as of the Closing Date (without giving effect to the transactions contemplated by this Agreement) (the "*Estimated Closing Date Balance Sheet*"), together with a calculation of the estimated Closing Net Working Capital (the "*Estimated Closing Net Working Capital*"). The Estimated Closing Date Balance Sheet and the calculation of Estimated Closing Net Working Capital shall be prepared by the Company in good faith and shall be accompanied by a certificate of the Chief Financial Officer of the Company that the Estimated Closing Date Balance Sheet and Estimated Closing Net Working Capital was prepared in accordance with GAAP. The "*Closing Adjustment*" shall be an amount equal to the Estimated Closing Net Working Capital minus Four Million Eight Hundred Thirty Thousand Dollars ($4,830,000) (the "*Target Net Working Capital*"). If the Closing Adjustment is a positive number, the Merger Consideration shall be increased by the amount of the Closing Adjustment. If the Closing Adjustment is a negative number, the Merger Consideration shall be reduced by the amount of the Closing Adjustment.

(b) Final Closing Date Balance Sheet. In order to conclusively determine the Closing Net Working Capital and the Net Working Capital Adjustment as of the Closing Date, as soon as reasonably practicable after the Closing Date (but not later than sixty (60) days thereafter), Parent will prepare and deliver to the Stockholder Representative its balance sheet as of the Closing Date (the "*Closing Date Balance Sheet*"), together with a calculation of the Closing Net Working Capital. To the extent reasonably practicable, the Stockholder Representative shall cooperate with Parent and its accountant (the "*Parent Accountant*") in connection with the preparation of the Closing Date Balance Sheet and the calculation of the Closing Net Working Capital. The Closing Date Balance Sheet and the calculation of the Closing Net Working Capital shall be prepared in accordance with GAAP.

(c) Disputes. Parent shall deliver to the Stockholder Representative on or prior to the date on which the Closing Date Balance Sheet is due (i) the Closing Date Balance Sheet, (ii) a statement of the calculation of the Closing Net Working Capital as of the Closing Date, (iii) a statement of the calculation of the resulting Net Working Capital Adjustment, and (iv) the resulting Adjusted Final Merger Consideration (the "*Adjustment Documents*"). The Adjustment Documents shall be final and binding on the Parties, and deemed accepted by the Stockholder Representative, on behalf of the Company Securityholders, unless, within forty-five (45) days after the Stockholder Representative's receipt thereof, the Stockholder Representative provides Parent with a written notice of objection with respect to the Adjustment Documents (an "*Objection Notice*"); *provided, however*, that in the event that the Net Working Capital Adjustment proposed by Parent exceeds $500,000 (either positive or negative), the Stockholder Representative shall have sixty (60) days to review the Adjustment Documents and submit an Objection Notice. The Objection Notice shall specify in reasonable detail each item on the Adjustment Documents that the Company Securityholders dispute, the nature of any objection so asserted, and any portions of the Adjustment Documents, if any, that the Company Securityholders do not dispute. Parent agrees that during such forty-five (45) day or sixty (60) day period, as applicable, following the Stockholder Representative's receipt of the Adjustment Documents, the Stockholder Representative and its representatives shall have, for the purposes of evaluating the Adjustment Documents, reasonable on-site access to properties and appropriate books, records, schedules, analyses, working papers and other information used in the preparation of the Adjustment Documents. Parent shall cause Parent Accountant to provide access to internal work papers of the Company relating to the Adjustment Documents available to the Stockholder Representative and its representatives on customary conditions (including access of customary hold harmless release letters) and to consult in good faith with the Stockholder Representative during such period.

(d) Resolution of Disputes. During the thirty (30) day period following the date on which the Objection Notice is received by Parent, the Stockholder Representative and Parent shall meet in an effort to resolve any objections contained therein. If the Stockholder Representative and Parent are unable to resolve the dispute within such thirty (30) day period, then any disputed matter set forth in the Objection Notice which remains unresolved shall be submitted for final determination to the Independent Auditor. The Independent Auditor shall, based solely on the presentations made by the Stockholder Representative and Parent and within thirty (30) days after its appointment, render a written report as to the resolution of each disputed matter set forth in the Objection Notice which remains outstanding, and as to the calculation of the Closing Net Working Capital and Net Working Capital Adjustment and statement of the calculation of the Adjusted Final Merger Consideration. The Independent Auditor shall have exclusive jurisdiction over, and resort to the Independent Auditor shall be the sole recourse and remedy of the parties against one another or any other Person with respect to, any disputes arising out of or relating to the Closing Date Balance Sheet, the Net Working Capital Adjustment and the Adjusted Final Merger Consideration. The Independent Auditor's determination shall be conclusive and binding on all parties and shall be enforceable in a court of law.

(e) Fees. All of the fees and expenses of any Independent Auditor retained pursuant to this Section 2.11 shall be borne by the Company Securityholders and Parent, respectively, in proportion to the quotient of (x) the absolute value of the remainder of (A) the aggregate dollar value of the disputed items as submitted by the Stockholder Representative and Parent, as applicable, to the Independent Auditor, less (B) the aggregate dollar value of the disputed items as finally determined by the Independent Auditor, divided by (y) the sum of clause (x) above with respect to both of the Company Securityholders and Parent.

(f) Adjusted Final Merger Consideration. The Merger Consideration (as previously adjusted pursuant to Section 2.11(a)) shall be increased or decreased dollar-for-dollar by the amount (the "*Net Working Capital Adjustment*") that the Closing Net Working Capital on the Closing Date, as finally determined as provided in this Section 2.11, is more than or less than the Estimated Closing Net Working Capital. The Merger Consideration, as so increased or decreased, is referred to herein as the "*Adjusted Final Merger Consideration*." The Adjusted Final Merger Consideration shall become final and binding upon the parties upon the earlier of (i) the failure by the Stockholder Representative to object thereto within the period permitted under, and otherwise in accordance with, the requirements of Section 2.11(d), (ii) the written agreement between Parent and the Stockholder Representative with respect thereto, or (iii) the decision by the Independent Auditor with respect to disputes under Section 2.11(d).

(g) Payment. In the event of an increase of the Merger Consideration by the Net Working Capital Adjustment as determined pursuant to this Section 2.11, Parent shall pay to the Company Securityholders an aggregate amount equal to the sum of such Net Working Capital Adjustment. In the event of a reduction of the Merger Consideration by the Net Working Capital Adjustment as determined pursuant to this Section 2.11, the Stockholder Representative and Parent shall jointly authorize the Escrow Agent to release to Parent an amount from the Escrow Amount equal to the absolute value of the Net Working Capital Adjustment (as determined pursuant to this Section 2.11). All payments pursuant to this Section 2.11(g) shall be made by wire transfer in immediately available funds within five (5) business days after the Adjusted Final Merger Consideration has become binding hereunder. All payments to be made to the Company Securityholders pursuant to this Section 2.11(g) shall be completed in accordance with the pro rata percentage of the Escrow Amount that was allocated to each Company Securityholder as set forth in the Allocation Certificate. Notwithstanding the foregoing, if Parent is to make payments to the Company Securityholders as a result of the Net Working Capital Adjustment as determined pursuant to this Section 2.11 in an aggregate amount equal to less than Fifty Thousand Dollars ($50,000), Parent shall deposit such amount with the Escrow Agent, in which event such amount shall become part of the Escrow Amount and be distributed to the Company Securityholders at the same time and in the same manner as the rest of the Escrow Amount.

Section 2.12 Tax Consequences. The Parties intend the Merger to constitute a taxable installment sale of the Company Capital Stock by the Company Stockholders and that a portion of the Earnout Payment and of the distributions, if any, to such Stockholders from the Escrow Amount may be treated for U.S. income Tax purposes as a payment of interest in accordance with Section 483 of the Code. No Party shall take any position for income Tax purposes inconsistent with such characterization, unless otherwise required by applicable Law. The Parties make no representations or warranties to any Company Securityholders regarding the Tax treatment of the Merger, or any of the Tax consequences to the Company or any Company Securityholder of this Agreement, the Merger or any of the other transactions or agreements contemplated hereby.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the applicable section of the Company Disclosure Schedule delivered by the Company to Parent and Merger Sub simultaneously with the execution and delivery of this Agreement (the "*Company Disclosure Schedule*") (it being agreed that disclosure of any information in a particular section or subsection of the Company Disclosure Schedule shall be deemed to be disclosed with respect to any other section or subsection of the Agreement to which the relevance of such information is reasonably apparent on its face), the Company represents and warrants to Parent and Merger Sub as follows:

Section 3.1 Organization of the Company. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has the full corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted in compliance with all material Laws. The Company is duly qualified or licensed to do business and is in good standing as a foreign corporation in each jurisdiction in which the conduct of its business or the ownership, leasing, holding or use of its properties makes such qualification necessary in compliance with all material Laws. The Company has made available a true and correct copy of the Company Charter and Company Bylaws, each as amended to date and in full force and effect on the date hereof, and Company Board and Stockholder consents as of the date hereof to Parent. The Company Board and Stockholder consents are complete, accurate and current in all material respects. The Company has not violated the Company Charter or Company Bylaws in any material respect.

Section 3.2 Capitalization.

(a) The authorized capital stock of the Company consists of:

(i) 215,000,000 shares of Company Common Stock, of which, as of the date of this Agreement, 4,996,571 shares were issued and outstanding;

(ii) 93,200,000 shares of Company Series A Preferred Stock, of which, as of the date of this Agreement, 91,581,371 shares are issued and outstanding; and

(iii) 35,250,000 shares of Company Series B Preferred Stock, of which, as of the date of this Agreement, 33,088,361 shares are issued and outstanding.

(b) Section 3.2(b) of the Company Disclosure Schedule sets forth a complete and accurate list, as of the date hereof, of (i) the name of each holder of Company Capital Stock, and the domicile address of such holder, (ii) the number of shares of Company Capital Stock held by such holder and (iii) the class or series of such shares. All of the issued and outstanding shares of Company Capital Stock have been duly authorized and validly issued and are fully paid and nonassessable and were not issued in violation of any preemptive or similar right.

(c) The Company has reserved 35,692,356 shares of Company Common Stock for issuance to employees and directors of, and consultants to, the Company upon the issuance of stock or the exercise of Company Options granted under the Company Option Plan, of which 32,342,733 shares are issuable, as of the date hereof, upon the exercise of outstanding, unexercised Company Options granted under the Company Option Plan. Section 3.2(c) of the Company Disclosure Schedule sets forth, as of the date of this Agreement, for each outstanding Company Option the name of the holder of such Company Option, (i) the domicile address of such holder, (ii) the number of shares of Company Capital Stock issuable upon the exercise of such Company Option, (iii) the exercise price of such Company Option and (iv) the date of grant of such Company Option. True and complete copies of the Company Option Plan and forms of option agreements for use under such plan have been made available to Parent. Based upon the provisions of the Company Options and the Company Option Plan, as amended through the date hereof, (x) the treatment of the Company Options in Article II of this Agreement will result in the retirement or termination of all Company Options effective as of the Effective Time and (y) the Merger Consideration payable to such holders of Company Options upon such retirement or termination, as set forth on the Final Allocation Certificate, and as adjusted pursuant to the terms of this Agreement, constitutes the sole consideration due and payable to such holders pursuant to the Company Options, the Company Option Plan and Article II of this Agreement.

(d) As of the date of this Agreement, warrants to purchase (i) 36,176,722 shares of Company Common Stock, (ii) 230,181 shares of Company Series A Preferred Stock, and (iii) 250,000 shares of Company Series B Preferred Stock are outstanding. Section 3.2(d) of the Company Disclosure Schedule sets forth, as of the date of this Agreement, the name of each holder of Company Warrants and the number of shares of Company Capital Stock that each Company Warrant has the right to purchase, and the exercise price of each Company Warrant held of record by each such warrant holder. Based upon the provisions of the Company Warrants, as amended through the date hereof, (x) the treatment of the Company Warrants in Article II of this Agreement will result in the retirement or termination of all Company Warrants effective as of the Effective Time and (y) the Merger Consideration payable to such holders of Company Warrants upon such retirement or termination, as set forth on the Final Allocation Certificate, and as adjusted pursuant to the terms of this Agreement, constitutes the sole consideration due and payable to such holders pursuant to the Company Warrants and Article II of this Agreement.

(e) As of the date of this Agreement, except as provided by this Agreement and except for the Company Options and Company Warrants, there are no subscriptions, options, warrants, calls, stock appreciation rights or other commitments, rights or agreements of any character relating to dividend rights or the purchase, sale, issuance or voting of any security of the Company to which the Company is a party, including any securities convertible into, exchangeable for or representing the right to purchase or otherwise receive, any shares of Company Capital Stock. There are no bonds, debentures, notes or other indebtedness of the Company having the right to vote on any matters in which stockholders of the Company may vote. There are no voting trusts or other agreements or understandings to which the Company is a party with respect to the voting of the shares or other equity interests of the Company.

(f) All share numbers and dollar amounts set forth on the Allocation Certificate delivered upon the execution of this Agreement shall be true and accurate in all material respects as of the Execution Date. All share numbers and dollar amounts set forth on any updates to the Allocation Certificate made in accordance with the terms of this Agreement will be true and accurate in all material respects as of the date of such delivery. All share numbers and dollar amounts set forth on the Final Allocation Certificate shall be true and accurate as of the Effective Date (subject to changes resulting from adjustments to the Merger Consideration under Section 2.8(g), Section 2.10, Section 2.11, Section 2.12 and Article VII). The remittance and distribution of the Closing Date Cash Amount by the Company pursuant to Section 2.9(a)(v) will be in accordance with the CGCL.

Section 3.3 Authority. On or prior to the date of this Agreement, the Company Board has approved this Agreement in accordance with the DGCL and the CGCL. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company, subject to (i) approval and adoption of this Agreement by the holders of Company Capital Stock as required by the DGCL, the CGCL, the Company Charter and the Company Bylaws and (ii) the filing of the Certificate of Merger as required by the DGCL. This Agreement has been duly executed and delivered by the Company and (assuming the valid authorization, execution and delivery of this Agreement by Parent and Merger Sub, and binding effect of this Agreement on Parent and Merger Sub) constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except insofar as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies.

Section 3.4 Consents and Approvals; No Violation.

(a) The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby and compliance with the provisions hereof will not, result in any violation of, or default (with or without notice or lapse of time, or both) under, or give to others a right of termination, cancellation or acceleration of any obligation or result in the loss of a material benefit under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of the Company under, or require a notification pursuant to, any provision of (i) the Amended and Restated Certificate of Incorporation of the Company, as amended (the "*Company Charter*") or the Bylaws of the Company, as amended (the "*Company Bylaws*"), (ii) any Company Contract or (iii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company or any of its respective properties or assets, other than, in the case of clauses (ii) or (iii), any such non-material violations or defaults of Company Contracts or Laws that are not material, or non-material rights, liens, security interests, charges or encumbrances.

(b) No filing or registration with, or authorization, consent or approval of, any Governmental Authority is required by or with respect to the Company in connection with the execution and delivery of this Agreement by the Company or is necessary for the consummation of the Merger and the other transactions contemplated by this Agreement, except for:

(i) the filing of the Certificate of Merger with the Secretary of the State of Delaware and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business;

(ii) such filings relating to the HSR Act, ITAR and a joint filing of a voluntary notice to CFIUS pursuant to Exon-Florio;

(iii) any such filings under applicable federal or state securities or "blue sky" Laws; and

(iv) such other material consents, orders, authorizations, registrations, declarations and filings as may be required or advisable (based on reasonable advice of counsel).

(c) Section 203 of the DGCL and Section 1203 of the CGCL are not applicable to the Company, and the Company Board has taken any and all action necessary to ensure that Section 203 of the DGCL and Section 1203 of the CGCL are not applicable to the Company and will not be applicable to this Agreement, the Merger and the other transaction contemplated hereby and thereby. No "fair price," "moratorium," "control share acquisition" or other similar anti-takeover Law enacted under state or federal Laws in the United States applicable to the Company is applicable to this Agreement, the Merger or the other transactions contemplated hereby or thereby.

Section 3.5 Litigation; Compliance with Laws. There is no outstanding material claim or other material Proceeding pending by or against, or to the Knowledge of the Company, threatened in writing by or against the Company (including at law or in equity or before or by any Governmental Authority or arbitrator). The foregoing includes, without limitation, there not being any material Proceedings or investigations pending or threatened (or to the Knowledge of the Company any reasonable bases therefor) involving the current or prior employment of any of the Company's employees or consultants, their use in connection with the Company's business, or any information or techniques allegedly proprietary to any such former employers or their obligations under any agreements with prior employers. There have been no material Legal Compliance Failures, the Company is not in material violation of any order of any Governmental Authority or any Law applicable to the Company or any of its respective properties or assets, the Company and the business operations of the Company have been conducted in material compliance with all Laws and the Company has taken all necessary actions required by or with respect to the Company (including with regard to employee matters) so that (assuming the receipt of the approvals listed in Section 3.4) the consummation of the Merger by the Company will not violate or result in a violation of material Laws applicable to the Company.

Section 3.6 Subsidiaries. The Company has no Subsidiaries except for Wavestream Corporation (Asia) Pte. Ltd. ("*Wavestream Asia*"). Wavestream Asia is a company duly organized, validly existing and in good standing under the laws of Singapore. Wavestream Asia has the full corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Wavestream Asia is duly qualified or licensed to do business in each jurisdiction in which the conduct of its business or the ownership, leasing, holding or use of its properties makes such qualification or licensing necessary in compliance with all material Laws. The capitalization of Wavestream Asia consists of 25,001 ordinary shares, all of which are issued and outstanding and held by the Company. Wavestream Asia holds no interests in any Person.

Section 3.7 Financial Statements.

(a) Audited. The Company has delivered to Parent copies of Company's audited consolidated financial statements as of and for the fiscal years ended December 31, 2009, 2008, and 2007, together with the notes thereto (the "*Audited Financial Statements*"). The Audited Financial Statements were prepared in accordance with GAAP consistently applied throughout the periods indicated, are correct and complete and fairly present the financial position and condition of the Company at the dates thereof and the results of operations of the Company for the periods covered thereby, and contain no material misstatements or omissions.

(b) Unaudited. The Company has delivered to Parent copies of Company's unaudited consolidated financial statements for the eight (8) month period ended August 31, 2010, (the "*Unaudited Financial Statements*"). The Unaudited Financial Statements were prepared in accordance with GAAP on a basis consistent with the Audited Financial Statements and are correct and complete and fairly present the financial position and condition of the Company at the date thereof and the results of operations for the period covered thereby (subject to customary year end adjustments and not including footnotes necessary for presentation in accordance with GAAP) and contain no material misstatements or omissions (the Audited Financial Statements and the Unaudited Financial Statements, together, the "*Financial Statements*").

(c) Liabilities. The Company does not have Liabilities other than those reflected in the Unaudited Financial Statements, except Liabilities incurred in the ordinary course of business since the date of the Unaudited Financial Statements, none of which individually or in the aggregate is or would reasonably be expected to be material to the Company. For the avoidance of doubt, the Company has accrued in the Unaudited Financial Statements, and will accrue for purposes of determining the Closing Net Working Capital, all performance bonuses for 2010 that are based on operating income and revenues on a monthly pro rata basis assuming that one hundred percent (100%) of such bonuses will be earned and paid.

(d) Books and Records. The books of account, ledgers, order books, records and related documents of the Company accurately and completely reflect all material information relating to the business of the Company, the nature, acquisition, maintenance, location and collection of each of its material assets, and the nature of all transactions giving rise to material obligations or material accounts receivable of the Company.

(e) Closing Payment Schedule. The Closing Payment Schedule delivered by the Company to Parent in accordance with Section 2.9(a)(i) shall accurately reflect all Closing Payments required to be set forth on the Closing Payment Schedule, including all interest accrued and fees and expenses required to satisfy such obligations.

Section 3.8 Accounts Receivable. To the Knowledge of the Company, all of the accounts and notes receivable (net of applicable reserves) of the Company (i) are set forth in the Financial Statements: (ii) represent sales actually made or transactions actually effected in the ordinary course of business for goods or services delivered or rendered to unaffiliated customers in bona fide arm's length transactions; and (iii) constitute valid claims.

Section 3.9 Tax Matters.

(a) For purposes of this Agreement, "*Taxes*" shall mean all foreign, federal, state, county and local taxes, including, without limitation, income, gross receipts, corporate franchise, stamp, transfer, sales, and use, license, severance, excise, employment, withholding, ad valorem, alternative or add-on minimum, estimated, or any other similar governmental charges or levies, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties. Each of the Company and its Subsidiary has filed all tax returns and reports required to be filed by it with all applicable taxing authorities when due (taking into account any granted filing extension requests) (collectively, the "*Tax Returns*"), and such Tax Returns were accurate and complete in all material respects. All Taxes shown as due and payable on such Tax Returns and all other material Taxes due and payable by each of the Company and its Subsidiary have been timely paid. Each of the Company and its Subsidiary has withheld and paid over all material Taxes required to have been withheld and paid over, and complied in all material respects with all information reporting and backup withholding requirements, including maintenance of required records with respect thereto, in connection with amounts paid or owing to any employee, creditor, independent contractor, or other third party. The provisions for Taxes included in the Unaudited Financial Statements represent full and adequate provision in accordance with GAAP for all accrued and unpaid Taxes of each of the Company and its Subsidiary as of the date of the Unaudited Financial Statements.

(b) The Company has made available to Parent true and complete copies of (i) all audit reports, statements of deficiencies, closing or other agreements received by it or its Subsidiary relating to Taxes for all periods as to which the statute of limitations has not expired, and (ii) all income or franchise Tax Returns for each of the Company and its Subsidiary for all periods ending on and after December 31, 2007. The Company has never been a member of an affiliated group filing consolidated returns.

(c) Neither the Company nor its Subsidiary has any outstanding or unsatisfied deficiency assessments with respect to any Taxes, and to the Company's Knowledge, there are no current audits or investigations by or disputes with any authority with respect to any Taxes that may affect the Company or its Subsidiary or form a lien or charge on any of the assets of the Company or its Subsidiary. Neither the Company nor its Subsidiary has received written notice that an examination of or proceeding concerning any Taxes or Tax Return of the Company or its Subsidiary is pending or threatened. Neither the Company nor its Subsidiary has waived any statute of limitations in respect to Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(d) Neither the Company nor its Subsidiary will be required to include any item of income in or exclude an item of deduction from any period ending after the Closing Date resulting from a change in accounting method or period, a "closing agreement" (as described in Section 7121 of the Code) or other agreement with any Tax authority, intercompany transactions or an excess loss account.

(e) Neither the Company nor any Subsidiary is a party to any Tax allocation or sharing agreement. The Company has not been a member of an "affiliated group" (as defined in Section 1504(a) of the Code) filing a consolidated federal income Tax Return, and neither the Company nor its Subsidiary has any Tax liability for any Person (other than the Company or its Subsidiary, respectively) under Treasury Regulations Section 1.1502-6, as a transferee or successor, by contract, or otherwise.

(f) The Company has been neither a "distributing corporation" nor a "controlled corporation" (in each case within the meaning of Section 355(a) of the Code) with respect to a transaction described in Section 355 of the Code within the 3-year period ending as of the date of this Agreement.

(g) The Company has not participated in a "reportable transaction" within the meaning of Treasury Regulations Section 1.6011-4(b).

(h) The Company is not and has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code and Parent is not required to withhold Tax on the purchase of the stock of Company by reason of Section 1445 of the Code.

(i) Neither the Company nor its Subsidiary has participated in or cooperated with an international boycott, within the meaning of Section 999 of the Code, nor has the Company or its Subsidiary had operations that are or, to the Knowledge of the Company, are reasonably expected to become, reportable under Section 999 of the Code.

(j) Any and all transactions and dealings between or among any of the Company, the Subsidiary and/or any other Persons directly or indirectly related to the Company or the Subsidiary have at all times occurred on arm's-length terms, as if between and among unrelated parties. Each of the Company and the Subsidiary has at all times fully complied with any and all tax-related requirements that the arm's-length nature of the terms of such transactions and dealings be documented.

Section 3.10 Absence of Certain Changes or Events. Except as contemplated or expressed herein, since December 31, 2009:

(a) the Company has not incurred any material liability or obligation (indirect, direct or contingent), or entered into any oral or written agreement or other transaction material to the Company, that is not in the ordinary course of business or that individually or in the aggregate with other such obligations is or would reasonably be expected to be material to the Company;

(b) the Company has not sustained any material loss or interference with its business or properties from fire, flood, windstorm, accident or other calamity (whether or not covered by insurance) that individually or in the aggregate with other such events is or would reasonably be expected to be material to the Company;

(c) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of Company Capital Stock;

(d) there has not been, (i) any change by the Company in its accounting methods, principles or practices or (ii) any revaluation by the Company of any asset (including, without limitation, any writing down of the value of inventory or writing off of notes or accounts receivable), other than in the ordinary course of business consistent with past practice;

(e) there has not been (i) any adoption of a new Company Plan, (ii) any material amendment to a Company Plan that would materially increase the cost of such plan to the Company, (iii) any granting by the Company to any executive officer or other key employee of the Company of any increase in compensation except for non-material increases in the ordinary course of business and consistent with past practice, (iv) any granting by the Company to any such executive officer or other key employee of any increase in retention, severance, termination, or similar arrangements or agreements in effect as of the date of the most recent Audited Financial Statements except for non-material increases in the ordinary course of business and consistent with past practice, or any material amendment to any retention or severance agreement, or (v) any entry by the Company into any employment, severance, retention, termination, similar arrangement or agreement with any such executive officer except in the ordinary course of business and consistent with past practice;

(f) there has not been any material change in the amount or terms of the Indebtedness of the Company;

(g) there has not been any granting of a security interest in or Lien on any property or assets of the Company;

(h) there has been no Company Material Adverse Effect;

(i) there has been no material change in the assets, liabilities, financial condition or operating results of the Company from that reflected in the Financial Statements;

(j) there has been no obligation or liability (whether absolute, accrued, contingent or otherwise, and whether due or to become due) incurred by the Company, in excess of $150,000 individually, other than obligations under customer contracts, current obligations and liabilities, in each case incurred in the ordinary course of business and consistent with past practice;

(k) there has been no material payment, discharge, satisfaction or settlement of any arbitration or Proceeding of the Company, except in the ordinary course of business and consistent with past practice;

(l) there has been no material change in the contingent obligations of the Company by way of guarantee, endorsement, indemnity, warrant or otherwise;

(m) there has been no sale, assignment, pledge, encumbrance, transfer or other disposition of any material tangible asset of the Company (other than sales or the licensing of its products to customers in the ordinary course of business consistent with past practice), or any sale, assignment, transfer or other disposition of any Intellectual Property (other than licensing of products of the Company in the ordinary course of business on a non-exclusive basis);

(n) there has been no cancellation of any material debts or claims (or any material amendment, termination or waiver of any such rights) of the Company;

(o) there has been no capital expenditure or commitment or addition to property, plant or equipment of the Company in excess of $75,000 individually or $150,000 in the aggregate;

(p) there has been no damage, destruction or loss (whether or not covered by insurance) affecting the assets, properties, financial condition, operating results, prospects or business of the Company resulting in liability or loss in excess of $75,000;

(q) there has been no change in the independent public accountants of the Company;

(r) there has been no resignation or termination of any officer, key employee or group of employees of the Company and, to the Knowledge of the Company, there is no impending resignation or termination of employment of any such officer or key employee;

(s) there has been no loan or guarantee made by the Company to or for the benefit of any of its employees, officers or directors, or any of their respective Affiliates, other than travel advances made in the ordinary course of business; and

(t) there has been no agreement, whether in writing or otherwise, to take any of the actions specified in the foregoing items (a) through (s);

Section 3.11 Title to and Sufficiency of Assets.

(a) Except as set forth in Section 3.11(a) of the Company Disclosure Schedule, the Company owns, and as of the Effective Time the Company will own, good and marketable title to all of its assets constituting personal property necessary to conduct its business as presently conducted by the Company (excluding, for purposes of this clause, assets held under leases) or assets reflected in the Financial Statements, free and clear of any and all mortgages, liens, encumbrances, charges, claims, restrictions, pledges, security interests or impositions (collectively, "*Liens*") on material assets except for Permitted Liens. Such assets, together with all assets held by the Company under leases, include all tangible and intangible personal property, contracts and rights required for the operation of its business as presently conducted.

(b) The Company has good and valid leasehold interest in all real property and interests in real property shown on Section 3.11(b) of the Company Disclosure Schedule to be leased by it free and clear of all Liens except for Permitted Liens. The Company has complied in all material respects with the terms of all leases or subleases to which it is a party and under which it is in occupancy, and all leases to which the Company is a party and under which it is in occupancy are in full force and effect. The Company is in possession of the properties or assets purported to be leased under all its leases. The Company has not received as lessee any written notice from the lessor of any event or occurrence that has resulted or could result (with or without the giving of notice, the lapse of time or both) in a default with respect to any material lease or material sublease to which it is a party. There exists no default in the performance of the Company or, to the Company's Knowledge, by any lessor under any such lease. The Company does not own, has not in the past five (5) years owned, and as of the Effective Time the Company will not own, any real property.

Section 3.12 Permits and Compliance.

(a) The Company is in possession of all material franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, clearances (including appropriate security clearances), certificates, approvals and orders necessary for the Company to own, lease and operate its properties or to conduct its business as it is now being conducted (the "*Company Permits*") in compliance with all material Laws. No suspension or cancellation of any of the material Company Permits is pending or, to the Knowledge of the Company, threatened.

(b) To the Company's Knowledge, it is not in violation of: (i) any applicable Law, ordinance, administrative, or governmental rule or regulation of any Governmental Authority, including any consumer protection, contingent fee, environmental, equal opportunity, customs, export control, securities Laws, rules or regulations or (ii) any order, decree or judgment of any Governmental Authority having jurisdiction over the Company, including any Company Permit.

(c) The properties, assets and operations of the Company are in material compliance with all applicable federal, state, local and foreign Laws, rules and regulations, orders, decrees, judgments, permits and licenses relating to public and worker health and safety (collectively, "*Worker Safety Laws*"). With respect to such properties, assets and operations, including any previously owned, leased or operated properties, assets or operations, to the Knowledge of the Company, there are no past or present conditions, circumstances, activities, practices, incidents, or actions of the Company that may interfere with or prevent compliance or continued compliance with applicable Worker Safety Laws.

Section 3.13 Actions and Proceedings. There is no outstanding order, judgment, injunction, award or decree of any Governmental Authority against or involving the Company, or, to the Knowledge of the Company, against or involving any of the present or former directors, officers, employees, consultants, agents or stockholders of the Company, any of its or their properties, assets or business or any Company Plan and which is related to the business of the Company. There is no action, suit or claim, labor dispute, or legal, administrative or arbitrative proceeding or investigation (including claims for workers' compensation or investigations by a Governmental Authority), suspension or debarment pending or, to the Knowledge of the Company, threatened against or involving the Company or any of its present or former directors, officers, employees, consultants, agents or stockholders, as such, or any of its properties, assets or business or any Company Plan and which is related to the business of the Company.

Section 3.14 Employment Issues.

(a) Section 3.14(a) of the Company Disclosure Schedule sets forth a list of those current Employees of the Company subject to written employment or consulting agreements (collectively, the "*Employment Agreements*"). A true and correct copy of each Employment Agreement has been made available by the Company to Parent. Other than those agreements listed in Section 3.14(a) of the Company Disclosure Schedule, there are no other agreements or contracts promising employment for a specified term or beyond at will.

(b) The Company is not a party to any collective bargaining agreement, labor contract or other agreement with a body representing any of its employees. The Company is not now, and has never, engaged in any unfair labor practice with respect to any Persons employed by or otherwise performing services primarily for the Company and, to the Knowledge of the Company, there is no unfair labor practice complaint or grievance against the Company by any Person pursuant to the National Labor Relations Act or any comparable state or foreign law pending or threatened in writing, which, if adversely determined, would result in any material liability to the Company, and there have been no claims, inquiries, citations, penalties assessed or other proceedings in respect of the Company which relate to any provision of Law relating to unfair labor practices. There is no labor strike, dispute, slowdown or stoppage pending or, to the Knowledge of the Company, threatened against or affecting the Company.

(c) The Company is in material compliance with all applicable laws, rules and regulations that relate to wages and hours (collectively, "*Wage and Hour Laws*") and is not liable for any arrears of wages or any Taxes or penalties for failure to comply with any Wage and Hour Laws. There are no pending audits or governmental investigations in respect of any Wage and Hour Laws.

(d) The Company is in material compliance with all applicable Laws, rules and regulations which relate to discrimination, harassment or retaliation in hiring or employment, including those relating to race, color, religious creed, sex, pregnancy, age, national origin, ancestry, physical disability (including HIV and AIDS), mental disability, medical condition (including cancer), genetic characteristics, sexual orientation, gender identity or expression, marital status, covered veteran or military status, political affiliation, or any other legally-protected characteristic or category and there are no pending or, to the Knowledge of the Company, threatened investigations, audits, charges or complaints against the Company relating to such discrimination, harassment or retaliation or legally-protected characteristic or category.

(e) The Company is not now, nor during the four (4) years prior hereto has been, charged with or, to the Knowledge of the Company, threatened with a charge of violation, or under investigation with respect to a possible violation of any provision of any law relating to equal employment opportunity, wages and hours, leaves of absence, or other employment subjects, and there have been no complaints, claims, inquiries, citations, penalties assessed or other proceedings in respect of the Company which relate to any provision of any law relating to such matters, and the Company is not liable for any back pay, forward pay, punitive damages, liquidated damages, penalties, interest, attorneys fees or types of damages or any other amounts in respect thereof.

(f) Section 3.14(f) of the Company Disclosure Schedule contains a correct and complete list of the name, start date, and current annual salary, bonuses, commissions, and all other forms of material monetary remuneration of all current Employees.

(g) The Company has not incurred any material liability or obligation under the Worker Adjustment and Retraining Notification Act and the regulations promulgated thereunder, or any similar state or local law that remains unsatisfied.

(h) To the Company's Knowledge, no officer, key employee or group of employees intends to terminate his, her or their employment with the Company, nor does the Company have a present intention to terminate the employment of any officer, key employee or group of employees.

(i) To the Company's Knowledge, no employee of the Company, nor any consultant with whom the Company has contracted, is in violation of any term of any employment contract, proprietary information agreement or other agreement relating to the right of any such individual to be employed by, or to contract with, the Company, and to the Company's Knowledge, the continued employment by the Company of its present employees, and the performance of the Company's contracts with its independent contractors, will not result in such violation. The Company has not received any notice alleging that any such violation has occurred.

Section 3.15 Certain Agreements. Except as to the Employment Agreements or with respect to Company Options (the vesting of which will be accelerated in accordance with Section 2.6(c) of this Agreement), the Company is not a party to any material oral or written agreement or plan, including the Company Plans and any other severance agreement, retention agreement or other similar agreement or arrangement (collectively, the "*Compensation Agreements*") which provides for the granting or payment of any benefits or that any of the benefits of which will be increased, or the vesting of the benefits of which will 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.

Section 3.16 ERISA.

(a) Each Company Plan is listed in Section 3.16(a) of the Company Disclosure Schedule. With respect to each Company Plan, the Company has made available to Parent a true and correct copy of (i) the three most recent annual reports (Form 5500) filed with the IRS, (ii) the plan document for each such Company Plan that has been reduced to writing and all amendments thereto, (iii) each trust agreement, insurance contract or administration agreement relating to each such Company Plan, (iv) a written summary of each unwritten Company Plan, (v) the most recent summary plan description and any summary of material modifications, (vi) the most recent determination letter and request therefor, if any, issued by the IRS with respect to any Company Plan intended to be qualified under section 401(a) of the Code and (vii) all correspondence with the IRS, the Department of Labor or Pension Benefit Guaranty Corporation relating to any outstanding controversy or audit. Each Company Plan complies in all material respects with ERISA, the Code and all other applicable statutes and governmental rules and regulations. Neither the Company nor any ERISA Affiliate currently maintains, contributes to or has any liability under or, at any time during the past six years has maintained or contributed to, any "employee pension benefit plan", within the meaning of Section 3(2) of ERISA, which is subject to section 412 of the Code or section 302 of ERISA or Title IV of ERISA. Neither the Company nor any ERISA Affiliate currently maintains, contributes to or has any liability under or, at any time during the past six years has maintained or contributed to, any Company Multiemployer Plan.

(b) Except as listed in Section 3.16(b) of the Company Disclosure Schedule, with respect to the Company Plans, to the Knowledge of the Company, no event or set of circumstances has occurred and there exists no condition or set of circumstances in connection with which the Company or ERISA Affiliates or any Company Plan fiduciary (with respect to the Company Plan) could be subject to any material liability for any violation of the terms of such Company Plans, ERISA, the Code or any other applicable law. Except as set forth in Section 3.16(b) of the Company Disclosure Schedule, all Company Plans that are intended by their terms to be, or are otherwise treated by the Company as qualified under Section 401(a) of the Code have been determined by the IRS to be so qualified, or a timely application for such determination is now pending and there are no circumstances and no events have occurred that could reasonably be expected to adversely affect the qualified status of any qualified plan or the related trust. Except as set forth in Section 3.16(b) of the Company Disclosure Schedule, no Company Plan provides, or reflects or represents any liability to provide, post-termination health, life, or disability benefits after termination of employment to any employee or dependent other than as required by Section 4980B of the Code or other applicable statute.

(c) Except as set forth in Section 3.16(c) of the Company Disclosure Schedule or with respect to persons as to whom approval has been or will be solicited pursuant to Section 5.11 of this Agreement, the Company is not a party to any agreement, contract or arrangement that could result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(d) With respect to each Company Plan, all contributions and payments due on or prior to the Closing have been or will be timely made.

(e) Each Company Plan that is a "nonqualified deferred compensation plan" subject to Section 409A of the Code has been operated in material compliance with Section 409A of the Code and the regulations promulgated thereunder.

Section 3.17 Intellectual Property.

(a) Company Intellectual Property; Proceedings. Section 3.17(a) of the Company Disclosure Schedule sets forth (i) all Company Intellectual Property and the owner thereof, and, with respect to Company Registered Intellectual Property, specifies the jurisdictions in which each such item of Company Registered Intellectual Property has been filed, issued or registered, and (ii) all proceedings or actions currently pending before any court or tribunal (including the United States Patent and Trademark Office or equivalent authority anywhere else in the world) related to any of the Company Registered Intellectual Property (excluding with respect to the prosecution of any Intellectual Property applications).

(b) Ownership. The Company owns or is properly licensed to use all Intellectual Property used in or necessary to the conduct of its business as presently conducted or as is currently contemplated by the Company to be conducted (as evidenced by the existence of development-stage products and any documented business plans). All Company Owned Intellectual Property was entirely created by: (i) employees of the Company within the course and scope of their duties while employed by the Company and who have a written duty of assignment to the Company of Intellectual Property arising from services performed by such employees for the Company; or (ii) by Persons who have assigned such property to the Company in writing or who created such property under a valid written work for hire agreement. The consummation of the transactions contemplated hereby will not conflict with, alter or impair the Company's rights in any Company Intellectual Property or Company License Agreements.

(c) Company Products. Section 3.17(c) of the Company Disclosure Schedule sets forth a list of all products, software or service offerings of the Company that are currently being marketed, licensed or sold by Company (collectively, "*Company Products*"). The Company Products consist entirely of (i) Company Owned Intellectual Property or (ii) third party products sold by the Company under Contracts that are valid and binding, in full force and effect and enforceable against the Company in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws relating to creditors' rights generally and to the general principles of equity.

(d) Registration. Each item of Company Registered Intellectual Property (other than such Intellectual Property intentionally abandoned by the Company or which the Company no longer wishes to protect and which is not material to the Company's business) is subsisting and, to the Knowledge of the Company, valid and enforceable, and all necessary registration, maintenance and renewal fees currently due in connection with such Company Registered Intellectual Property have been made.

(e) Absence of Liens. The Company owns and has good and exclusive title to each item of Company Owned Intellectual Property, free and clear of any liens (excluding non-exclusive licenses and related restrictions granted in the ordinary course of business consistent with past practice), other than those items of Intellectual Property which are exclusively licensed to the Company as identified on Section 3.17(a) of the Company Disclosure Schedule.

(f) Third-Party Development. To the extent a third party has developed or created for the Company, whether independently or jointly with the Company, Intellectual Property that is material to Company's business, the Company has a written agreement with such third party providing for the assignment of such Intellectual Property to the Company.

(g) Transfers. The Company has not transferred ownership of, nor granted any exclusive or other material license with respect to, any Company Owned Intellectual Property to any third party.

(h) Licenses. Other than non-exclusive licenses of Company Products to end-users pursuant to written agreements that have been entered into in the ordinary course of business, Section 3.17(h) of the Company Disclosure Schedule sets forth a list of all contracts, licenses and agreements currently in effect to which the Company is a party (x) with respect to Company Owned Intellectual Property licensed or transferred by the Company to any third party, or (y) pursuant to which a third party has licensed or transferred to the Company: (1) any Intellectual Property that is material to the Company; or (2) any Intellectual Property on an exclusive basis (collectively, "*Company License Agreements*"). Neither the Company nor, to the Company's Knowledge, any other Person is in material breach of or default under any Company License Agreement. Each Company License Agreement is now valid and in full force and effect and will not (by its terms) be subject to cancellation as a result of the transactions contemplated by this Agreement.

(i) No Infringement. To the Knowledge of the Company, the operation of the business of the Company as such business currently is conducted or as is currently contemplated by the Company to be conducted (as evidenced by the existence of development-stage products and any documented business plans) does not infringe or misappropriate the Intellectual Property of any third party.

(j) No Notice of Infringement. The Company has not received written notice from any third party that the operation of the business of the Company or any act or Company Product of the Company, infringes or misappropriates the Intellectual Property of any third party.

(k) No Third Party Infringement. To the Knowledge of the Company, no person has in the past or is currently infringing or misappropriating any material Company Owned Intellectual Property.

(l) Proprietary Information Agreements. The Company has taken reasonable steps to protect its rights in its material confidential information and trade secrets that it wishes to protect or any trade secrets or confidential information of third parties provided to the Company, and, without limiting the foregoing, the Company has and enforces a policy requiring each Employee to execute a proprietary information/confidentiality agreement substantially in the form provided to Parent, and all such Employees have executed such an agreement.

(m) Open Source. No Company Owned Intellectual Property or Company Product constitutes or includes open source, public source or freeware Intellectual Property, or is subject to a license that, with respect to the foregoing, requires the Company to distribute, or provide access, to the public of the applicable source code.

(n) Information Technology. The Company has information technology systems reasonably sufficient to operate its business as it is currently conducted. The Company has taken reasonable steps, including the implementation of an industry standard disaster recovery plan to safeguard the information technology systems utilized in the operation of the business of the Company as it is currently conducted. The Company uses commercially reasonable efforts to protect the confidentiality, integrity and security of its servers and other information technology systems against any unauthorized intrusions or breaches. To the Knowledge of the Company, there have been no unauthorized intrusions or breaches of the security of the Company's information technology systems within the past two (2) years. The information technology systems of the Company have not failed to any material extent.

Section 3.18 Environmental Matters.

(a) The Company is in compliance in all material respects with all applicable Environmental Laws, which compliance includes the possession by the Company of all applicable Environmental Permits required under applicable Environmental Laws, and material compliance with the terms and conditions thereof. Except with respect to environmental matters that have been fully and finally resolved by the Company without further risk of material liability to the Company, the Company has complied in all material respects with all applicable Environmental Laws, which compliance includes the possession by the Company of all applicable Environmental Permits required under applicable Environmental Laws, and compliance with the terms and conditions thereof.

(b) A complete list of all such Environmental Permits in the Company's possession is set out in Section 3.18(b) of the Company Disclosure Schedule. The Company has timely filed applications for all Environmental Permits. All of the Environmental Permits listed on the Disclosure Schedule are transferable and none require consent, notification, or other action to remain in full force and effect following consummation of the transactions contemplated hereby.

(c) The Company has not received any notice or other communication (in writing or, to its Knowledge, otherwise), whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that the Company is not in compliance with or is liable under any Environmental Laws.

(d) To the Knowledge of the Company, there are no facts, circumstances or conditions existing, initiated or occurring prior to the Closing Date that have resulted or would reasonably be expected to result in liability under any applicable Environmental Law. There has been no Release of Hazardous Substances at, on, under, or from any real property leased by the Company nor was there such a Release at any real property formerly owned, operated or leased by the Company during the period of such ownership, operation, or tenancy, such that the Company is or could be liable for Remediation with respect to such Hazardous Substances.

(e) The Company has not arranged, by contract, agreement, or otherwise, for the transportation, disposal or treatment of Hazardous Substances at any location such that it is or could reasonably be expected to be liable for Remediation of such location pursuant to Environmental Laws.

(f) The Company does not own or operate and to the Company's Knowledge, the real property leased by the Company does not contain any of the following: (i) underground improvements, including but not limited to treatment or storage tanks, or underground piping associated with such tanks, used currently or in the past for the management of Hazardous Substances; (ii) any dump or landfill or other unit for the treatment or disposal of Hazardous Substances; (iii) wetlands; (iv) PCBs or PCB-containing equipment; (v) toxic mold; or (vi) asbestos containing materials.

(g) Except for documents made available to Parent, there are no environmental assessments, audits, reports or other similar studies or analyses in the possession or control of or, to the Knowledge of the Company, available to the Company relating to any real property currently or formerly owned, leased or occupied by the Company or the Company's compliance with Environmental Laws.

Section 3.19 Suppliers, Customers, Distributors and Significant Employees. Section 3.19 of the Company Disclosure Schedule sets forth, as of the date of this Agreement, a true, correct and accurate and complete list of the names and addresses of (i) the top ten (10) suppliers, (ii) the top ten (10) customers, and (iii) the top ten (10) distributors of the Company. The Company has not received any notice and has no reason to believe that (a) any significant supplier, including any sole source supplier, will not sell products, supplies, merchandise and/or other goods to the Company at any time after the Effective Time on terms and conditions substantially similar to those used in its current sales to the Company, subject only to general and customary price increases, (b) any significant customer of the Company intends to terminate or materially limit or alter its business relationship with or materially reduce the volume of its purchases from the Company, or (c) any current key Employee of the Company intends to terminate such Employee's employment with the Company.

Section 3.20 Inventory. The items in the Company's Inventory (in aggregate, net of reserves) are: (a) of good and merchantable quality, fit for the purpose for which they are intended, and saleable and useable in the ordinary course of business; (b) free of material defects and damage; and (c) in quantities adequate and not excessive in relation to the circumstances of the business and in accordance with the Company's past inventory stocking practices.

Section 3.21 Company Contracts.

(a) Section 3.21(a) of the Company Disclosure Schedule sets forth, as of the date of this Agreement, a true, correct and complete list of all of the following Contracts to which the Company is a party (each, a "*Material Contract*"):

(i) any promissory note, debenture, other evidence of indebtedness, guarantee, loan, credit or financing agreement or instrument, or other Contract for money borrowed, in each case in excess of $100,000;

(ii) any joint venture Contract, partnership agreement or limited liability company agreement;

(iii) any lease agreements to which the Company is a party with annual lease payments in excess of $100,000;

(iv) any Contract, other than the Employment Agreements or Company Plans, that contemplates or involves (A) the payment or delivery of cash or other consideration in an amount or having a value in excess of $100,000 in the aggregate after the date of this Agreement, or (B) the performance of services having a value in excess of $100,000 in the aggregate after the date of this Agreement;

(v) any Contract with a Governmental Authority;

(vi) any Contracts containing most favored nation or similar covenants agreeing to lower the price of products if lower prices are offered to other customers;

(vii) any Contract between the Company, on the one hand, and any director, officer or Affiliate of the Company, on the other hand (other than the Employment Agreements and any Contracts entered into in connection with the Company Plans, including but not limited to the Company Options);

(viii) warranty agreements with respect to the Company's services rendered or products sold or leased, other than pursuant to the Company's standard warranty;

(ix) any power of attorney of either of the Companies that is currently effective and outstanding; and

(x) any Contracts containing exclusivity provisions, non-competes or other covenants presently limiting the freedom of the Company to sell any products or services to any other Person, engage in any line of business, compete with any Person in any line of business or operate at or in any location or territory (but in each case, excluding confidentiality provisions).

(b) Except for such exceptions as would not be reasonably expected, individually or in the aggregate, to have a material impact on the Company, (i) each Material Contract is in full force and effect and represents a legally valid and binding obligation of the Company that is a party thereto and, to the Knowledge of the Company, the other party thereto, (ii) the Company has performed, in all material respects, all obligations required to be performed by it under each of the Material Contracts to which it is a party, (iii) no condition exists or event has occurred that (whether with or without notice or lapse of time or both) would constitute a material breach or material default by the Company or, to the Knowledge of the Company, any other party thereto under any Material Contract or result in a right of termination of any Material Contract, and (iv) the Company has not received any written notice of cancellation or termination of any of the Material Contracts. The Company has made available to Parent prior to the date of this Agreement true and complete copies of each of the Material Contracts, each as amended or modified to the date hereof (including any written waivers currently in effect with respect thereto).

(c) The Company has not received any written notice, and has no Knowledge, that there is a Key Contract Adverse Event.

Section 3.22 Insurance.

(a) The Company maintains insurance policies with financially sound insurance companies or self-insurance programs of such types (including, but not limited to, products liability, workmen's compensation and general liability) and such amounts as, in the reasonable judgment of the Company, are adequate for the business and operations of the Company as currently conducted (and as conducted heretofore).

(b) Section 3.22 of the Company Disclosure Schedule contains (i) an accurate and complete list of all such policies and programs of insurance providing coverage for the Company, including the name of the insurer, type of insurance or coverage, policy number, and the amount of coverage and any retention or deductible of the Company, and (ii) a schedule setting forth the aggregate claims and all individual claims in excess of one hundred fifty thousand dollars ($150,000) made under each such policy or program (or any predecessor policy or program) during the last three (3) years.

(c) No notice of cancellation, termination or reduction in coverage has been received by the Company with respect to any policy listed in Section 3.22 of the Company Disclosure Schedule. The Company has not been refused any insurance with respect to its assets or operations, nor has its coverage been limited, by any insurance carrier to which it has applied for any such insurance or which it has carried insurance during the last three (3) years.

Section 3.23 Change of Control Payments. Section 3.23 of the Company Disclosure Schedule sets forth each plan, program, agreement or arrangement pursuant to which any material amounts may become payable (whether currently or in the future) to current officers, directors or key Employees in cash or property or the vesting of property) directly or indirectly as a result of, a change of control of the Company as a result of or in connection with the Merger or any of the other transactions contemplated by this Agreement, whether alone or in conjunction with any other event.

Section 3.24 Interested Party Transactions.

(a) To the Company's Knowledge, no officer, director or Affiliate of the Company (nor any ancestor, sibling, descendant or spouse of any of such Persons, or any trust, partnership or corporation in which any of such Persons has or has had an economic interest), has, or since January 1, 2008 has had, directly or indirectly (i) an economic interest in any Person which furnished or sold, or furnishes or sells, services or products that the Company furnishes or sells, or proposes to furnish or sell, or (ii) an economic interest in any Person that purchases from, or sells or furnishes to, the Company any goods or services or (iii) a beneficial interest in any Company Contract; *provided, however*, that ownership of no more than five percent (5%) of the outstanding voting stock of a publicly traded corporation shall not be deemed an "economic interest in any entity" for purposes of this Section 3.24.

(b) There are no receivables of the Company owed by any director, officer, employee, or consultant to the Company (or any ancestor, sibling, descendant, or spouse of any such Persons, or any trust, partnership, or corporation in which any of such Persons has an economic interest), other than advances in the ordinary and usual course of business for reimbursable business expenses (as determined in accordance with the Company's established employee reimbursement policies and consistent with past practice). None of the Stockholders has agreed to, or assumed, any obligation or duty to guaranty or otherwise assume or incur any obligation or liability of the Company.

Section 3.25 Government Contracts and Government Proposals.

(a) Except as set forth in Section 3.25(a) of the Company Disclosure Schedule, with respect to each Government Contract and Government Proposal:

(i) to the Knowledge of the Company, the Company and its Subsidiaries have complied in all material respects with the Government Contracts and Government Proposals and applicable Laws or agreements pertaining thereto, including all material clauses, provisions and requirements incorporated expressly or by reference to the extent applicable;

(ii) neither the U.S. Government nor any prime contractor, subcontractor or other Person has notified the Company or any of its Subsidiaries, either in writing or, to the Knowledge of the Company, orally that the Company or such Subsidiary has materially breached or violated any applicable Law, or material certification, representation, clause, provision or requirement pertaining to such Government Contract or Government Proposal;

(iii) no suspension, stop work order, termination for convenience, termination for default, cure notice or show cause notice is currently in effect pertaining to such Government Contract nor, to the Knowledge of the Company, is any Governmental Authority or higher-tier contractor threatening to issue one;

(iv) no outstanding material unresolved estimated or incurred direct cost allocated to such Government Contract or Government Proposal has been questioned or disallowed in any audit report or draft audit report provided by DCAA or DCMA;

(v) to the Knowledge of the Company, neither the Company, any Affiliate of the Company nor any Employee is under civil, administrative or criminal investigation or indictment or has information with respect to any alleged fraudulent or criminal activity, in each case, involving a Government Contract or a Government Proposal, including information concerning violations of the civil False Claims Act, 31 U.S.C. § 3729 et seq.;

(vi) to the Knowledge of the Company, each material representation and certification executed by the Company or any of its Affiliates pertaining to such Government Contract or Government Proposal was true and correct in all material respects as of the date it was made (or deemed made) and remains correct in all material respects, and the Company and such Affiliates have complied in all material respects with all such material representations and certifications;

(vii) to the Knowledge of the Company, neither the Company nor any of its Affiliates has submitted any materially inaccurate, incomplete, out of date or untruthful (A) cost or pricing data (as defined in Federal Acquisition Regulation (FAR) § 2.101), (B) information other than cost or pricing data (as defined in FAR § 15.403.2) or (C) claim for payment to any Governmental Authority in connection with such Government Contract or Government Proposal, except that would not reasonably be expected to be material to the Company's business from Government Contracts;

(viii) to the Knowledge of the Company, neither the Company nor any of its Affiliates has received a past performance evaluation or other negative past performance information (including a Government Contract suspension, overt threat of Government Contract suspension, or Government Contract cure notice) indicating unacceptable performance with respect to any Government Contract;

(ix) to the Knowledge of the Company, no protest of any Government Contract or Government Proposal is pending as of the date of this Agreement;

(x) to the Knowledge of the Company, no money due to the Company or any of its Affiliates pertaining to such Government Contract or Government Proposal has been withheld or offset nor has any claim been made in writing to withhold or offset such money;

(xi) neither the Company nor any of its Subsidiaries has conducted or initiated any internal investigation, made a voluntary or mandatory disclosure to the U.S. Government, or been subject to audit (other than routine DCAA audits) or investigation by any Governmental Authority, with respect to any alleged material misstatement, omission, violation of Law or significant overpayment arising under or relating to any Government Contract or Government Proposal since September 1, 2007;

(xii) to the Knowledge of the Company, neither the Company nor any of its Affiliates has intentionally waived any material rights under a Government Contract or Government Proposal (except as part of a formal Contract modification);

(xiii) no Person or Governmental Authority has notified the Company, or to the Knowledge of the Company, any of its Affiliates, on or before the date of this Agreement in writing or, to the Knowledge of the Company, orally that any Governmental Authority intends to seek to materially lower direct cost rates or re-open the direct cost pricing under any Government Contract or task order or delivery order under a Government Contract;

(xiv) to the Company's Knowledge, no Government Contract has incurred or currently projects losses or cost overruns in an amount exceeding $50,000; and

(xv) neither the Company nor any of its Subsidiaries has assigned or otherwise conveyed or transferred, or agreed to assign, to any Person, any Government Contracts, or any account receivable relating to a Government Contract, whether in the form of a security interest or otherwise.

(b) Except as set forth on Schedule 3.25(b), there are (i) no material outstanding claims asserted in writing against the Company or any of its Subsidiaries, either by any Governmental Authority or by any prime contractor, subcontractor, vendor or other Person, arising under or relating to any Government Contract and (ii) no material disputes between the Company (or any of its Affiliates) and the U.S. Government under the Contract Disputes Act of 1978, as amended, or any other applicable federal statute or between the Company (or any of its Affiliates) and any prime contractor, subcontractor or vendor arising under or relating to any Government Contract.

(c) Since September 1, 2007, neither the Company nor any of its Subsidiaries has been debarred or suspended from participation in the award of contracts with the U.S. Government or any other Governmental Authority.

(d) To the Knowledge of the Company, there are no reports resulting from audits or other investigations by a Governmental Authority of any of the Government Contracts (past or present) or Government Proposals or decisions of Governmental Authority officials, including U.S. Government Contracting Officers, that conclude that the Company or any of its Subsidiaries (in connection with the Business) engaged in overcharging or defective pricing or otherwise violated the FAR or CAS.

(e) The Company does not have any classified Government Contracts. The Company does not maintain or possess facility clearances granted pursuant to the National Industrial Security Program Operating Manual, DOD 5220.22-M (February 28, 2006) (as amended) (NISPOM) by either the Department of Defense or any other U.S. government agencies. The Company does not have any classified information requiring safeguarding under the NISPOM with respect to any Government Contract.

(f) To the Knowledge of the Company, there are no material unmitigated Organizational Conflicts of Interest as defined in the Federal Acquisition Regulation (FAR) 2.101 and 9.505 related to the Company's business.

(g) The Company is compliant with the requirements of FAR 52.203-13, Contractor Code of Business Ethics and Conduct, in all material respects in connection with the Business. Neither the Company nor any of its Subsidiaries (in connection with the Business) has made any disclosures required by such FAR clause related to the Business, and to the Company's Knowledge, neither the Company nor any of its Affiliates has any information related to the Business that may need to be disclosed under that clause.

(h) Section 3.25(h) of the Company Disclosure Schedule sets forth a list of all bids, responses to requests for proposals and other offers to enter into new Government Contracts or modifications of existing Government Contracts and customer change orders greater than $250,000 that the Company has outstanding as of the date hereof, other than orders for spare parts or equipment (collectively, "*Government Proposals*"). All such Government Proposals have been submitted or received in the ordinary course of business.

Section 3.26 International Business Matters. Except as set forth in Section3.26 of the Company Disclosure Schedule:

(a) the Company is currently in compliance in all material respects with, and since January 1, 2007, the Company and its Subsidiaries have been in compliance in all material respects with, all applicable International Trade Laws and Regulations;

(b) the Company possesses, and since January 1, 2007, the Company and its Subsidiaries possessed and have prepared and timely applied for, all import and export licenses required in accordance with all International Trade Laws and Regulations applicable to the conduct of its business;

(c) the Company and each of its Subsidiaries have made available to Parent true and complete copies of all issued and pending import and export licenses obtained under the International Trade Laws and Regulations, if any; and

(d) the Company does not currently maintain, and since January 1, 2007, neither the Company nor any of its Subsidiaries has maintained, employees, sales or marketing representatives or assets of any kind in any jurisdiction outside of the United States, except for Wavestream Asia as to which the international sales and marketing operation has been described on Schedule 3.26.

Section 3.27 Product Liability; Product Warranties. Except as set forth in Section 3.27 of the Company Disclosure Schedule, all Company Products provided by the Company to customers conform, in all material respects, to applicable contractual commitments, express and implied warranties, product and service specifications, and, to the Knowledge of the Company, other than as reserved for in the ordinary course of business, the Company has no liability for replacement or repair thereof or other damages in connection therewith. Except as set forth in Section 3.27 of the Company Disclosure Schedule, no Company Product provided by the Company to customers is subject to any guaranty, warranty (other than warranties imposed by law) or other indemnity beyond the applicable standard terms and conditions of sale. Except as set forth in Section 3.27 of the Company Disclosure Schedule, the Company does not have any material liability arising out of any injury to a Person or property as a result of the ownership, possession, provision or use of any equipment or Company Product provided by the Company. All material product liability claims that have been asserted against the Company, whether covered by insurance or not and whether litigation has resulted or not, are listed and summarized in Section 3.27 of the Company Disclosure Schedule.

Section 3.28 Brokers. Other than Sagent Advisors, Inc., no broker, investment banker or other Person is entitled to any broker's, finder's or other similar fee or commission in connection with any of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company.

Section 3.29 Manufacturing and Marketing Rights. Except as set forth in Section 3.29 of the Company Disclosure Schedule, the Company has not granted rights to manufacture, produce, assemble, license, market or sell its products or services to any other Person and is not bound by any agreement that affects the Company's exclusive right to develop, manufacture, assemble, distribute, market or sell its products and services.

Section 3.30 Representations and Warranties. Except for the representations and warranties contained in this Article III (as modified by the Company Disclosure Schedule), neither the Company nor any other Person makes any other express or implied representation or warranty with respect to the Company or the transactions contemplated by this Agreement, and the Company disclaims any other representations or warranties, whether made by the Company or any of their Affiliates, officers, directors, employees, agents or representatives. Except for the representations and warranties contained in this Article III (as modified by the Company Disclosure Schedule), the Company hereby disclaims all liability and responsibility for any representation, warranty, statement or information made, communicated or furnished (orally or in writing) to Parent or its Affiliates or representatives (including any opinion, information, projection or advice that may have been or may be provided to Parent by any director, officer, employee, agent, consultant or representative of the Company or any of its Affiliates). The Company makes no representations or warranties to Parent regarding any projection or forecast regarding future results or activities or the probable success or profitability of the Company.

Section 3.31 Disclosure. No statement made by the Company in this Agreement, the Company Disclosure Schedule or the certificates delivered pursuant to Section 6.2(f) on behalf of the Company to Parent in connection with the Merger or the transaction contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements contained herein or therein not misleading or necessary in order to fully and fairly provide the information required to be provided in any such document, certificate or schedule. To the Company's Knowledge, there is no fact which the Company has not disclosed to the Parent in writing which has or is reasonably expected to have a Company Material Adverse Effect.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT, MERGER SUB AND GILAT

Parent, Merger Sub and Gilat jointly and severally represent and warrant to the Company as follows:

Section 4.1 Organization, Standing and Power. Parent and Gilat are corporations duly organized, validly existing and in good standing under the laws of its place of organization and have the requisite corporate power and authority to carry on their respective businesses as now being conducted. Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of its place of incorporation and has the requisite corporate power and authority to carry on its business as now being conducted.

Section 4.2 Authority. Each of Parent, Merger Sub and Gilat has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement by each of Parent, Merger Sub and Gilat, the performance by each of Parent, Merger Sub and Gilat of its respective obligations hereunder, and the consummation by each of Parent, Merger Sub and Gilat of the transactions contemplated by this Agreement, have been duly authorized by the board of directors of each of Parent, Merger Sub and Gilat, and by Parent as holder of all outstanding shares of capital stock of Merger Sub and no other corporate or other action on the part of either Parent, Merger Sub or Gilat is necessary to authorize the execution and delivery of this Agreement by each of Parent, Merger Sub and Gilat, the performance by each of Parent, Merger Sub and Gilat of its respective obligations hereunder or the consummation by each of Parent, Merger Sub and Gilat of the transactions contemplated by this Agreement. No vote of the holders of any of the outstanding shares of capital stock of Parent or Gilat is necessary to approve this Agreement and consummate the Merger and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Parent, Merger Sub and Gilat and, assuming the due authorization, execution and delivery by the other parties hereto and thereto (other than Parent, Merger Sub and Gilat), this Agreement constitutes a valid and binding obligation of Parent, Merger Sub and Gilat, enforceable against each of Parent, Merger Sub and Gilat in accordance with its terms, except as such enforceability may be subject to applicable bankruptcy, reorganization, insolvency, moratorium and similar Laws affecting the enforcement of creditors' rights generally and by general principles of equity.

Section 4.3 Consents; Approvals. No consent, waiver, approval, order or authorization of, or registration, declaration or filing with, or notice to, any Governmental Authority, is required by or with respect to Parent, Merger Sub or Gilat in connection with the execution and delivery of this Agreement by Parent, Merger Sub and Gilat or the consummation by Parent, Merger Sub and Gilat of the transactions contemplated hereby, except for (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, (ii) filings under deferral or state securities Laws, (iii) such filings as many be required under the HSR Act and a joint filing of a voluntary notice to CFIUS pursuant to Exon-Florio, and (iv) such other filings, authorizations, consents and approvals that if not obtained or made could not reasonably be expected to have a material adverse effect on the ability of Parent, Merger Sub or Gilat to perform their obligations pursuant to this Agreement and to consummate the Merger and the transactions contemplated hereby in a timely manner (a "*Parent Material Adverse Effect*"). Gilat and Parent have the financial resources to pay the Merger Consideration (as adjusted pursuant to Section 2.11), to carry out its obligations hereunder, and to consummate the transactions contemplated hereby.

Section 4.4 No Conflict. The execution and delivery by Parent, Merger Sub and Gilat of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not conflict with or result in any violation of or default under (with or without notice or lapse of time, or both) or give rise to a right of termination, cancellation, modification or acceleration of any obligation or loss of any benefit under (i) any provision of the organizational documents of Parent, Merger Sub or Gilat, (ii) any material contract to which Parent, Merger Sub or Gilat is a party or to which they or any of their respective properties or assets (whether tangible or intangible) is subject or bound, or (iii) any Law applicable to Parent, Merger Sub or Gilat or any of their respective properties (whether tangible or intangible) or assets (assuming receipt of the approvals listed in Section 4.3), except, in the case of (ii) or (iii), for such conflicts, violations or defaults as could not individually or in the aggregate reasonably be expected to have a Parent Material Adverse Effect.

Section 4.5 Litigation and Government Orders. As of the date of this Agreement, there are no outstanding claims or other Proceeding pending against Parent, Merger Sub, Gilat or any other subsidiaries of Parent or Gilat ("*Parent Subsidiaries*"), or any of the assets or properties of Parent, Merger Sub or Gilat or any Parent Subsidiaries, or any of the directors or officers of Parent, Merger Sub, Gilat or any Parent Subsidiaries in their capacity as directors or officers of Parent, Merger Sub, Gilat or any Parent Subsidiaries that would prevent either Parent, Merger Sub or Gilat from performing its respective obligations under this Agreement or consummating the transactions contemplated by this Agreement.

Section 4.6 Due Diligence Investigation. Parent and Gilat have had an opportunity to discuss the business, management, operations and finances of the Company with its respective officers, directors, employees, agents, representatives and Affiliates, and has had an opportunity to inspect the facilities of the Company. Parent and Gilat have conducted their own independent investigation of the Company. In making its decision to execute and deliver this Agreement and to consummate the transactions contemplated by this Agreement, Parent and Gilat have relied solely upon the representations and warranties of the Company set forth in Article III (and acknowledges that such representations and warranties are the only representations and warranties made by the Company) and have not relied upon any other information provided by, for or on behalf of the Company or its agents or representatives to Parent or Gilat in connection with the transactions contemplated by this Agreement. Parent and Gilat have entered into the transactions contemplated by this Agreement with the understanding, acknowledgement and agreement that no representations or warranties, express or implied, are made with respect to any projection or forecast regarding future results or activities or the probable success or profitability of the Company. Parent and Gilat acknowledge that no current or former stockholder, director, officer, employee, Affiliate or advisor of the Company has made or is making any representations, warranties or commitments whatsoever regarding the subject matter of this Agreement, express or implied. Notwithstanding the foregoing, any right to indemnification that any Indemnified Party otherwise may have hereunder shall not be affected by the investigation described above in this Section 4.6.

Section 4.7 Brokers' and Finders' Fees. Parent and Gilat will be solely responsible for any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by, or on behalf of, Parent, Merger Sub or Gilat.

Section 4.8 No Prior Activity. Merger Sub has not incurred nor will it incur any liabilities or obligations, except those incurred in connection with its organization and with the negotiation of this Agreement and the performance of its obligations hereunder and the consummation of the transactions contemplated by this Agreement, including the Merger. Except as contemplated by this Agreement, Merger Sub had not engaged in any business activities of any type or kind whatsoever, or entered into any agreements or arrangements with any Person, or become subject to or bound by any obligation or undertaking. As of the date of this Agreement, all of the issued and outstanding capital stock of Merger Sub is owned beneficially and of record by Parent, free and clear of all encumbrances (other than those created by this Agreement and the transactions contemplated by this Agreement). Merger Sub does not have any subsidiaries.

Section 4.9 Sufficient Funds. Parent and Gilat have sufficient funds available to it, without requiring the prior consent, approval or other discretionary action of any third-party, to make the payments required under Article II, to pay all fees and expenses to be paid by Parent, Merger Sub and Gilat in connection with the transactions contemplated by this Agreement, and to satisfy any other payment obligations that may arise in connection with, or may be required in order to consummate, the transactions contemplated by this Agreement. Parent, Merger Sub and Gilat expressly acknowledge that Parent's, Merger Sub's and Gilat's ability to obtain financing is not a condition to the obligations of Parent, Merger Sub and Gilat hereunder.

ARTICLE V

CERTAIN COVENANTS

Section 5.1 Conduct of Business Prior to the Effective Time. Except as expressly permitted herein, set forth in Section 5.1 of the Company Disclosure Schedule, or required by Law, from the Execution Date through the Effective Time or the termination of this Agreement pursuant to its terms, the Company shall conduct its business in all material respects in the ordinary course of its business consistent with past practice and, to the extent consistent therewith, use its reasonable best efforts to maintain and preserve substantially intact its business organization and the goodwill of those having business relationships with it. Without limiting the foregoing, and except as otherwise expressly contemplated by this Agreement or as set forth in Section 5.1 of the Company Disclosure Schedule, or required by Law, from the Execution Date through the Effective Time or the termination of this Agreement pursuant to its terms, the Company shall not, without the prior written consent of Parent:

(a) Cause, permit or propose any material amendments to the Company Certificate or Company Bylaws;

(b) Amend any material term of any outstanding Company Capital Stock;

(c) Merge or consolidate with any other Person;

(d) Issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of Company Capital Stock or other equity interests of, or any securities convertible into, or any rights, warrants, calls, subscriptions or options to acquire, any such shares, equity interests, or convertible securities, other than: (A) issuances of Company Capital Stock upon the exercise of Company Options, Company Warrants or other rights of the Company existing on the date hereof in accordance with their present terms or granted pursuant to clauses (B) or (C) hereof, (B) grants of stock options to purchase Company Common Stock granted in the ordinary course of business consistent with past practice and on Ordinary Course Terms (as defined below) to new Company employees under the Company Option Plans outstanding on the date hereof, and (C) grants of stock options to purchase Company Common Stock granted to existing Company employees (other than to directors and officers), under the Company Option Plans outstanding on the date hereof in the ordinary course of business consistent with past practice in connection with annual compensation reviews or ordinary course promotions and in each case on Ordinary Course Terms (the grants described, and subject to the limitations, in clauses (B) and (C), the "*Ordinary Course Grants*", and for purposes of this Section 5.1, "*Ordinary Course Terms*" shall mean options to purchase Company Common Stock with the following terms (i) a per share exercise price that is no less than the current market price at the time of grant of a share of Company Common Stock and (ii) a vesting schedule no more favorable than one-quarter (1/4) on the one-year anniversary of the date of grant, and one-forty-eighth (1/48) on each monthly anniversary of the date of grant thereafter;

(e) Make any material loan, advance or capital contributions to or material investments in any Person, other than: (A) loans or investments by it to any wholly-owned Subsidiary of it, (B) employee loans or advances in the ordinary course of business consistent with past practices or (C) otherwise in the ordinary course of business consistent with past practices;

(f) Declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of the Company Capital Stock;

(g) Reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of the Company Capital Stock, other than in connection with tax withholdings and exercise price settlement upon the exercise of Company Options;

(h) Enter into or amend any Material Contract other than in the ordinary course of business;

(i) Take any action with respect to accounting policies or procedures, other than actions in the ordinary course of business or except as required by changes in GAAP;

(j) Except for salary increases or the introduction of new or modifications to employee benefit arrangements in the ordinary course of business and consistent with past practice, the Company shall not (i) materially increase in any manner the base compensation of, or enter into any new bonus or incentive agreement or arrangement with, any of its employees, (ii) enter into any new employment, severance or consulting agreement with any of its existing employees, or (iii) materially amend or enter into a new Company Plan (except as required by Law or as would not otherwise materially increase the cost of the Company Plan to the Company);

(k) Delay its payments of payables or accelerate its collections or receivables as compared to prior practice, or fail to maintain inventory at a level sufficient to meet existing or reasonably anticipated customer requirements; or

(l) Agree or commit to do any of the foregoing.

Notwithstanding the foregoing, nothing contained in this Agreement shall give to Parent, directly or indirectly, rights to control or direct the operations of the Company prior to the Closing. Prior to the Closing, the Company shall exercise complete control and supervision of the operation of its business. Parent's consent shall not be required for the foregoing to the extent inconsistent with applicable Law, as reasonably determined by Parent's counsel. Notwithstanding the foregoing, nothing contained in this Section 5.1 shall prohibit or otherwise restrict the Company from making the payments and distributions in accordance with Section 2.9.

If the Company desires to take an action that would be prohibited by this Section 5.1 hereof, prior to taking such action the Company may request such written consent by sending an email to the following individuals (or to such other individual Parent may have designated to the Company in writing) who Parent shall cause to respond to such request for written consent within two (2) Business Days:

Name: Joshua Levinberg
Email: Joshua@gilat.com

with a copy to:

Name: Rachel Prishkolnik
Email: RachelP@gilat.com

Name: Mark Bresnahan
Email: Mark.Bresnahan@spacenet.com

Section 5.2 No Solicitation. The Company shall not, nor shall it authorize or permit any officer, director, employee, investment banker, financial advisor, attorney or other advisor or representative of the Company to, directly or indirectly (i) solicit, initiate, or encourage the submission of, any Purchase Proposal, (ii) enter into any agreement with respect to or approve or recommend any Purchase Proposal or (iii) participate in any discussions or negotiations regarding, or furnish to any Person any information with respect to the Company in connection with, or take any other action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Purchase Proposal.

Section 5.3 Stockholder Matters. Immediately following the execution of this Agreement, the Company shall use its reasonable best efforts to obtain the Requisite Stockholder Approval within the time frame provided in Section 8.1(f) or, if not obtained within such time frame, as soon as practicable thereafter. Once the Requisite Stockholder Approval has been obtained, the Company will provide to Parent a certificate of the Secretary of the Company certifying that the Requisite Stockholder Approval has been obtained in accordance with the DGCL, the CGCL, the Company Charter and the Company Bylaws and indicating the consents obtained from the holders of each class of stock. In addition, immediately following the execution of this Agreement, the Company shall use its reasonable best efforts to prepare an Information Statement (the "*Information Statement*") accurately describing this Agreement, the Merger and the transactions contemplated thereby. Parent shall provide promptly to the Company such publicly-available information concerning its business as, in the reasonable judgment of the providing party or its counsel, may be required or appropriate for inclusion in the Information Statement, or in any amendments or supplements thereto and shall cause its counsel to cooperate with the Company's counsel in the preparation of the Information Statement. The Company shall provide the Information Statement to each Stockholder, with a copy to the Stockholder Representative, together with notice of the Requisite Stockholder Approval pursuant to and in accordance with the applicable provisions of the DGCL, the CGCL, the Company Charter and the Company Bylaws, and which notice shall include the notice to stockholders required by Section 262 of the DGCL and Section 1300 of the CGCL of the approval of the Merger and that appraisal rights will be available.

Section 5.4 Access to Information; Confidentiality. The Company shall afford to the accountants, counsel, financial and other advisors, Affiliates and other representatives of Parent (collectively, "*Parent Representatives*") reasonable access during normal business hours to, and permit them to make such inspections as they may reasonably require of, during the period from the Execution Date through the Effective Time, all of its properties, books, contracts, commitments and records (including engineering records and Tax Returns and the work papers of independent accountants, if available and subject to the consent of such independent accountants) and, during such period, the Company shall (i) make available to Parent all information concerning its business, properties and personnel as Parent may reasonably request and (ii) provide reasonable access to and opportunities to communicate with the employees of the Company expected to be retained regarding the benefits and compensation of such employees; *provided, however*, that Parent and any Parent Representative shall not materially or unduly interfere with any of the operations or business activities of the Company. The Company shall not be required to provide access to, or disclose, information to the extent such access or disclosure would violate any attorney-client privilege or contravene any Law, rule, regulation, order, judgment, decree or binding agreement entered into prior to the date of this Agreement (it being agreed that the Parties shall use their reasonable best efforts to cause such information to be provided in a manner that does not cause such violation or prohibition). No information or knowledge obtained in any investigation pursuant to this Section 5.4 or otherwise shall affect or be deemed to modify or qualify any representation or warranty of the Company or the conditions to the obligations of the Parties to consummate the Merger. The Parties acknowledge that the Company and Parent have previously executed a Nondisclosure Agreement, dated as of July 29, 2010 (the "*Confidentiality Agreement*"), which Confidentiality Agreement will continue in full force and effect in accordance with its terms, until the Effective Time, at which time the Confidentiality Agreement shall terminate.

Section 5.5 Filings and Consents. Subject to the terms and conditions of this Agreement, each of the Parties (i) shall use all commercially reasonable efforts to cooperate with one another in determining which filings are required to be made by each Party prior to the Effective Time with, and which consents, approvals, permits or authorizations are required to be obtained by each Party prior to the Effective Time with Governmental Authorities (including such filings as are required under the HSR Act and payment of required filing fees under the HSR Act (which shall be shared equally by the Parties), and also including a joint notice under Exon-Florio to CFIUS as described below with respect to the Merger (the "*CFIUS Notice*")) or other third parties in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (ii) shall use all commercially reasonable efforts to assist the other Party in timely making all such filings and timely seeking all such consents, approvals, permits, authorizations and waivers required to be made and obtained by the other Party or which Parent reasonably deems necessary or appropriate. Prior to making any application to or filing with any Governmental Authority in connection with this Agreement, to the extent the Parties need to collaborate on matters in such filings, each Party shall provide the other Party with drafts or relevant portions thereof (excluding any confidential information included therein) and afford the other Party a reasonable opportunity to comment on such drafts to the extent needed for the Parties to complete the filings (provided that commercially sensitive materials shall be given only to outside counsel of the recipient and will not be disclosed by such outside counsel). If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purpose of this Section 5.5, the proper officers and directors of the Surviving Corporation shall take all such necessary action. The Parties shall use commercially reasonable efforts to cooperate so as to file within three (3) Business Days of the Execution Date (or such other number of days agreed by the Parties) all filings required under the HSR Act. The Parties shall use commercially reasonable efforts to cooperate so as to file promptly after the Execution Date a draft notice to CFIUS, and five (5) Business Days thereafter (or such other number of days agreed by the Parties) a formal CFIUS Notice and to seek confirmation from CFIUS that (i) the Merger does not fall within the scope of transactions requiring investigation and (ii) it will not propose or impose any restrictions or conditions on the Merger.

Section 5.6 Public Announcements. Except as contemplated by this Agreement or as otherwise required by Law (including applicable securities Laws or stock exchange requirements, as reasonably determined by Parent upon advice of counsel), prior to the Closing, the Parties will not issue any press release with respect to the transactions contemplated by this Agreement or otherwise issue any written public statements with respect to such transactions without the prior written consent of the other Party (other than disclosures to Company Securityholders in connection with the approval of this Agreement and other than any required filing by Parent with the SEC or other Governmental Authority).

Section 5.7 Indemnification of Directors and Officers.

(a) The certificate of incorporation and the bylaws of the Surviving Corporation shall contain provisions with respect to indemnification, advancement of expenses and director exculpation as are set forth in the Company Charter and Company Bylaws as in effect at the date hereof (to the extent consistent with applicable Law), which provisions shall not be amended, repealed or otherwise modified for a period of six years after the Effective Time in any manner that would adversely affect the rights thereunder of the persons who at any time prior to the Effective Time were entitled to indemnification, advancement of expenses or exculpation under the Company Charter and Company Bylaws in respect of actions or omissions occurring at or prior to the Effective Time (including, without limitation, the Merger and the transactions contemplated under this Agreement), unless otherwise required by applicable Law.

(b) From and after the Effective Time and until the expiration of any applicable statutes of limitation, the Surviving Corporation shall indemnify, defend and hold harmless the present and former officers, directors, employees and agents of the Company and its subsidiaries (collectively, the "*Indemnified Parties*") against all losses, claims, damages, expenses (including reasonable attorneys' fees), liabilities or amounts that are paid in settlement of, or otherwise ("*Losses*"), in connection with any claim, action, suit, Proceeding or investigation, whether civil, criminal, administrative or investigative and including all appeals thereof (a "*Claim*") to which any Indemnified Party is or may become a party to by virtue of his or her service as a present or former director, officer or employee of the Company or any of its Subsidiaries or his or her serving at the request of the Company or its Subsidiaries as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, and arising out of actual or alleged events, actions or omissions occurring or alleged to have occurred at or prior to the Effective Time (including, without limitation, matters related to the negotiation, execution and performance of this Agreement or consummation of the transactions contemplated under this Agreement), in each case to the fullest extent permitted and provided in the Company Charter and Company Bylaws as in effect at the date hereof and as permitted under the DGCL and the CGCL.

(c) Prior to the Effective Time, (i) the Company may elect to obtain, and pay for (such payment to be included as a Closing Payment), "tail" insurance policies with a claims period of six (6) years from the Effective Time with respect to directors' and officers' liability insurance in an amount and scope no less favorable than the existing policy of the Company for claims arising from facts or events that occurred on or prior to the Effective Time at a cost that is reasonable and customary for tail insurance policies with its existing directors' and officers' liability policy insurer or an insurer with a comparable insurer financial strength rating as the Company's existing directors' and officers' liability policy insurer (the "*D&O Insurance*"). If and to the extent such a D&O Insurance policy has been purchased prior to the Effective Time, Parent shall, and shall cause the Surviving Corporation to, maintain such policy in effect and continue to honor the obligations thereunder.

(d) The obligations under this Section 5.7 shall not be terminated or modified in such a manner as to affect adversely any Indemnified Party to whom this Section 5.7 applies without the consent of such affected Indemnified Party (it being expressly agreed that the Indemnified Parties to whom this Section 5.7 applies and their respective heirs, successors and assigns shall be express third-party beneficiaries of this Section 5.7). This Section 5.7 shall survive the consummation of the Merger and is intended to be for the benefit of, and shall be enforceable by, the Indemnified Parties referred to herein, their heirs and personal representatives and shall be binding on the Surviving Corporation and its successors and assigns.

(e) If the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each case, to the extent necessary, proper provision shall be made so that the successors and assigns of the Surviving Corporation shall assume the obligations set forth in this Section 5.7.

Section 5.8 Employee Benefit Matters.

(a) From and after the Effective Time, Company Plans in effect as of the date of this Agreement shall remain in effect with respect to employees of the Company (or their Subsidiaries) covered by such plans at the Effective Time until such time as Parent shall, subject to applicable Law, the terms of this Agreement and the terms of such plans, adopt new benefit plans with respect to employees of the Company (the "*New Benefit Plans*"). Prior to the Effective Time, Parent and the Company shall cooperate in reviewing, evaluating and analyzing Company Plans with a view towards developing appropriate New Benefit Plans for the employees covered thereby. At such time as any New Benefit Plans are implemented, Parent will, and will cause its Subsidiaries to, with respect to all New Benefit Plans, (i) provide each employee of the Company with service or other credit for all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to employees of the Company under any New Benefit Plan that is a welfare plan that such employees may be eligible to participate in after the Effective Time, to the extent that such employee would receive credit for such conditions under the corresponding welfare plan in which any such employee participated immediately prior to the Effective Time, (ii) provide each employee of the Company with credit for any co-payments, co-insurance and deductibles paid in satisfying any applicable deductible or out-of-pocket requirements under any New Benefit Plan that is a welfare plan that such employees are eligible to participate in after the Effective Time for the applicable plan year, (iii) provide each employee with credit for all service for purposes of eligibility, vesting and benefit accruals (but not for benefit accruals under any defined benefit pension plan) with the Company, under each employee benefit plan, program, or arrangement of Parent or its Subsidiaries in which such employees are eligible to participate after the Effective Time, and (iv) provide benefits under medical, dental, vision and similar health and welfare plans that are in the aggregate no less favorable than those provided to similarly situated employees of Parent and its Subsidiaries; *provided, however*, that in no event shall the employees be entitled to any credit to the extent that it would result in a duplication of benefits with respect to the same period of service. Notwithstanding anything to the contrary in this Section 5.8, Parent shall have no obligation to provide any credit for service, co-payments, co-insurance, deductibles paid, or for any purpose, unless and until Parent has received such supporting documentation as Parent may reasonably deem to be necessary in order to verify the appropriate credit to be provided.

(b) If requested by Parent at least seven (7) days prior to the Effective Time, the Company shall terminate any and all Company Benefit Plans intended to qualify under Section 401 (k) of the Code, effective not later than the last business day immediately preceding the Effective Time. In the event that Parent requests that such 401(k) plan(s) be terminated, the Company shall provide Parent with evidence that such 401(k) plan(s) have been terminated pursuant to resolution of the Company Board not later than the day immediately preceding the Effective Time.

(c) The foregoing notwithstanding, Parent shall, and shall cause its Subsidiaries to, honor in accordance with their terms all benefits accrued through the Effective Time under Company Benefit Plans or under other contracts, arrangements, commitments, or understandings described in the Company Disclosure Schedule.

Section 5.9 Fees and Expenses. Except as otherwise set forth herein, whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby, including the fees and disbursements of counsel, financial advisors and accountants, shall be paid by the party incurring such costs and expenses.

Section 5.10 Obligations of Parent, Merger Sub and Gilat. Prior to the earlier of the Effective Time or the termination of this Agreement in accordance with its terms:

(a) Merger Sub shall not, and Parent shall cause Merger Sub not to, undertake any business or activities other than in connection with this Agreement and engaging in the Merger and the other transactions contemplated by this Agreement.

(b) Parent shall take all action necessary to cause Merger Sub to perform its obligations under this Agreement and to consummate the Merger and the other transactions contemplated hereunder on the terms and subject to the conditions set forth in this Agreement.

(c) Parent, Merger Sub and Gilat shall not engage in any action or enter into any transaction or permit any action to be taken or transaction to be entered into that would reasonably be expected to materially delay the consummation of, or otherwise adversely affect, the Merger or any of the other transactions contemplated by this Agreement. Without limiting the generality of the foregoing, Parent and Gilat shall not, and shall cause its Subsidiaries not to, acquire (whether via merger, consolidation, stock or asset purchase or otherwise), or agree to so acquire, any material amounts of assets of or any equity in any Person or any business or division thereof, unless Parent reasonably determines that acquisition or agreement would not (i) impose any significant delay in the obtaining of, or increase the risk of not obtaining, any authorizations, consents, orders, declarations or approvals of any Governmental Authority necessary to consummate the Merger, or the other transactions contemplated by this Agreement, or the expiration or termination of any waiting period under applicable Law, or (ii) significantly increase the risk of any Governmental Authority entering an order prohibiting the consummation of the Merger, or the other transactions contemplated by this Agreement, or increase the risk of not being able to remove any such order on appeal or otherwise.

Section 5.11 Section 280G Approval.

(a) The Company shall use its reasonable best efforts to obtain from each Person, if any, who might receive payments and/or benefits that may be nondeductible under Section 280G of the Code in connection with the consummation of the Merger a duly executed waiver (a "*Parachute Payment Waiver*") of the Potential Parachute Payments. For the purposes of this Agreement, "Potential Parachute Payment" shall mean the portion of any Person's payments and/or benefits that may separately or in the aggregate constitute "parachute payments" pursuant to Section 280G of the Code that is in excess of 2.99 times such Person's "Base Amount" (within the meaning of Section 280G(b)(3) of the Code). The Company shall have delivered each Parachute Payment Waiver to Parent on or before the Closing Date.

(b) The Company shall use its reasonable best efforts to obtain the approval by such number of stockholders of the Company as is required by the terms of Section 280G(b)(5)(B) of the Code so as to render the parachute payment provisions of Section 280G of the Code inapplicable to any and all payments and/or benefits provided pursuant to contracts or arrangements that, in the absence of the executed Parachute Payment Waivers by the affected Persons under Section 5.11(a), might otherwise result, separately or in the aggregate, in the payment of any amount and/or the provision of any benefit that would not be deductible by reason of Section 280G of the Code (based on reasonable advice of tax advisers), with such stockholder approval to be obtained in a manner which satisfies all applicable requirements of such Section 280G(b)(5)(B) of the Code and the Treasury Regulations thereunder, including Q-7 of Section 1.280G-1 of such Treasury Regulations.

Section 5.12 Conduct of Business During Earnout Period.

(a) From the Closing Date until the end of Earnout Period, Parent and Gilat agree to operate the Company in a manner consistent with commercially reasonable practices (where the practices of the Company and Parent's policies and standards prior to Closing shall be deemed commercially reasonable) and, unless otherwise consented to in writing by the Stockholder Representative, Parent and Gilat shall not:

(i) permit the Company to: (A) sell, transfer, license or otherwise dispose of all or substantially all of its assets, (B) merge or consolidate with any Person, (C) liquidate or dissolve, or (D) add any subsidiary;

(ii) compete or cause any Parent Subsidiary to, compete anywhere in the world with the Company as it exists upon Closing;

(iii) fail to cause the Company to maintain in a manner consistent with the sound and prudent practices maintained by the Company prior to the Closing, all accounting books and records which will provide the information necessary for the calculation of the Revenue and Earnout Payment;

(iv) cause the termination of employment by Parent, Gilat or the Company of either Clifton Cooke or Michael Mollin, or any other change in either such individual's position or material change in either such individual's responsibilities with the Company (for the avoidance of doubt, the need for Parent approvals in the ordinary course shall not be deemed a material change in such responsibilities), in any case other than for cause as defined in such individual's employment agreement with the Company;

(v) take any action to rename the Company, except to identify the Company as a Gilat Satellite Networks company;

(vi) in the event of a direct or indirect sale or transfer of all or substantially all of the assets of Parent or Gilat in whatever form, fail to cause its successor or assign to expressly assume Parent's or Gilat's obligations under this Agreement, including without limitation the covenants obligating the Parent and Gilat to pay the Earnout Payment;

(vii) accelerate, delay, hinder or prevent the shipping of products, the providing of services or the receipt of Revenue during the Earnout Period in any manner which is not consistent with the Company' past practices and which would cause Revenue to be received after the Earnout Period rather than during the Earnout Period;

(viii) take any action that has as its purpose the artificial reduction of the Revenue of the Company;

(ix) withdraw any working capital from the Company if such action would leave the Company without adequate working capital; or

(x) shift the Company's Revenue to other members of Parent's or Gilat's consolidated group of companies or Parent Subsidiaries.

(b) Violation by Parent or Gilat. In the event of a violation by Parent or Gilat of any of the provisions in this Section 5.12, Parent and the Stockholder Representative shall cooperate to modify the Revenue targets set forth in Section 2.10 to an extent consistent with the magnitude of the violation by Gilat or Parent of such provisions such that the prospects for satisfying the Revenue targets set forth in Section 2.10 are not diminished as a result of such violation.

(c) Involuntary Bankruptcy of Parent. If, during the Earnout Period, any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding or assignment for the benefit of creditors, is instituted by or against Parent, Gilat or any material subsidiary of Gilat or Parent, and if instituted against Parent, Gilat or any material subsidiary of Gilat or Parent, is not dismissed within thirty (30) days, then $6,798,000 (deeming for such purposes that all of the conditions to such payment have been satisfied) shall be immediately due and payable to the Company Securityholders by Parent and Gilat without demand, notice or declaration of any kind whatsoever, which such funds shall be distributed to the Company Securityholders by wire transfer in accordance with the allocations for the Earnout Payment set forth on the Allocation Certificate.

(d) Cooperation. For purposes of complying with the terms set forth in this Section 5.12 and Section 2.10, each Party shall cooperate with and promptly make available to the other party and its auditors and representatives, all information, records, data, auditors' working papers, and access to its personnel, shall permit access to its facilities and shall permit the other party and its auditors and representatives to make copies of all information, records, data and auditor's working papers, in each case as may be reasonably required in connection with the determination of satisfaction of the conditions set forth in Section 2.10.

Section 5.13 Tax Matters.

(a) The Company shall prepare, or cause to be prepared, and timely file, or cause to be timely filed, all Tax Returns relating to the Company and its Subsidiaries required to be filed on or prior to the Closing Date, and the Company shall timely pay any Taxes of the Company and its Subsidiaries due on or prior to the Closing Date, taking into account any granted filing extension requests. Unless otherwise required by applicable law, such Tax Returns shall be prepared and filed in a manner consistent with past practice. Unless otherwise required by applicable law, neither the Company nor its Subsidiaries shall, in such Tax Returns, adopt a new position, election or method which would have the effect of deferring taxable income from periods or portions of periods occurring on or before the Closing Date to periods or portions of periods occurring subsequent to the Closing Date. The Company shall (i) provide all such Tax Returns that are income Tax Returns to Parent for review at least thirty (30) days prior to filing and (ii) shall consider in good faith such revisions to such Tax Returns as are reasonably requested by Parent.

(b) Parent shall prepare, or cause to be prepared, and timely file, or cause to be timely filed, all Tax Returns relating to the Company and its Subsidiaries for the Pre-Closing Tax Period that are filed after the Closing Date. Unless otherwise required by applicable law, such Tax Returns shall be prepared and filed in a manner consistent with past practice. Unless otherwise required by applicable law, neither the Parent nor its Subsidiaries shall, in such Tax Returns, adopt a new position, election or method which would have the effect of accelerating taxable income from periods or portions of periods occurring subsequent to the Closing Date to periods or portions of periods occurring on or before the Closing Date. Parent shall (i) provide all such Tax Returns that are income Tax Returns to the Stockholder Representative for review and comment at least thirty (30) days prior to filing and (ii) shall consider in good faith such revisions to such Tax Returns as are reasonably requested by the Stockholder Representative. Parent shall timely pay any Taxes of the Company and its Subsidiaries due after the Closing Date. Parent shall be promptly and fully reimbursed out of the Escrow Account for any and all Taxes paid or payable by Parent, the Company or its Subsidiaries following Closing and shown as due on such Tax Returns and attributable (pursuant to the definition of "*Pre-Closing Taxes*") to any Pre-Closing Tax Period of the Company or any of its Subsidiaries (except to the extent, if any, that Closing Net Working Capital has been reduced by the amount of such Taxes).

(c) Unless required by applicable law or unless the Stockholder Representative provides its written consent which consent shall not be conditioned, withheld or delayed unreasonably, none of Parent or any Parent Subsidiary shall amend, refile or otherwise modify any Tax Return of the Company or its Subsidiaries, or waive any limitations period with respect to such Tax Returns, if such amendment, refiling, modification or waiver would reasonably be expected to result in an increase in Taxes for which indemnification of the Parent Indemnified Parties would be required hereunder.

(d) Any Tax refunds received by Parent, or any Parent Subsidiary, after the Closing Date, and any amounts credited against any Tax to which Parent, or any Parent Subsidiary, becomes entitled, that relate to Tax refunds of or overpayments by the Company or any of its Subsidiaries for the Pre-Closing Tax Period shall be for the account of the Company Securityholders. Parent shall pay over to the Company Securityholders any such refund or the amount of such credit as soon as practicable after actual receipt of the cash benefit of such refund or credit; *provided, however*, that, if any amounts are due to Parent pursuant to the provisions of Section 5.13(b) or Section 7.2 (determined without regard to the limitations set forth in Section 7.3), Parent may retain and apply such refund or credit toward the satisfaction of the amounts that are due to Parent and shall pay such refund or credit to the Company Securityholders only if, and only to the extent that, such refund or credit exceeds the amounts that are due to Parent.

(e) Parent shall not make, or cause to be made, any election under Section 338 of the Code with respect to the transactions contemplated by this Agreement.

(f) The Company, Parent and the Stockholder Representative shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees and agents to reasonably cooperate, in preparing and filing all Tax Returns of the Company, in resolving any audits or disputes relating to Taxes of the Company and in connection with any other matters relating to Taxes of the Company.

Section 5.14 Further Assurances. Each of the Parties shall use its reasonable best efforts to effectuate the transactions contemplated hereby and to fulfill and cause to be fulfilled the conditions to closing under this Agreement. Each of the Parties shall use its reasonable best efforts to comply promptly with all legal requirements which may be imposed on such Party with respect to the Merger and will promptly cooperate with and furnish information to any other Party hereto in connection with any such requirements imposed upon such other Party in connection with the Merger. Each Party will use its reasonable best efforts to obtain and make (and will cooperate with the other parties in obtaining or making) any consent, authorization, order or approval of, or any registration, declaration, or filing with, or an exemption by, any Governmental Authority, or other third party, required to be obtained or made by such Party or its subsidiaries in connection with the Merger or the taking of any action contemplated thereby or by this Agreement. Each Party hereto, at the request of another Party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be reasonably necessary or desirable for effecting completely the consummation of the Merger and the other transactions contemplated by this Agreement. Each Party shall use all reasonable best efforts to not take any action, or enter into any transaction, which would cause any of its representations or warranties contained in this Agreement to be untrue or result in a breach of any covenant made by it in this Agreement.

Section 5.15 Guaranty of Gilat. Gilat hereby guarantees the payment by Parent of any amounts payable by Parent pursuant to the Merger or otherwise pursuant to this Agreement and the transactions contemplated hereby and will cause Parent to perform all of its other obligations under this Agreement (including, without limitation, the payment of the Merger Consideration, as adjusted pursuant to the terms of this Agreement) in accordance with its terms.

Section 5.16 Financial Statements.

(a) The Company shall exercise commercially reasonable efforts to engage Moss Adams to conduct a SAS 100 review of the unaudited consolidated balance sheet of the Company and its business as of the end of the calendar quarter ending June 30, 2010 and statements of operations and cash flows and notes thereto for the applicable year to date periods during 2010 and 2009 in accordance with GAAP. The Company also shall exercise commercially reasonable efforts to engage Moss Adams to conduct such additional procedures as are reasonably necessary to enable Moss Adams to prepare audit opinions associated with the audited financial statements of the Company for 2009, 2008 and 2007 which are compliant with all SEC requirements. Parent shall pay to Moss Adams (or such other firm, as the case may be) its fees and expenses for such review.

(b) The Company will seek to have as much of the foregoing as practicable completed prior to Closing, but the Company's obligations pursuant to this Section 5.16 shall not be a condition to Closing. The Parties acknowledge and agree that the results of such audits and reviews shall have no effect whatsoever on the determination of Closing Net Working Capital, which is being determined on a basis consistent with the basis of preparation of the Financial Statements as delivered to Parent prior to the date hereof.

ARTICLE VI

CONDITIONS PRECEDENT TO THE MERGER

Section 6.1 Conditions to Obligation of the Company to Effect the Merger. The obligations of the Company to effect the Merger and consummate the other transactions contemplated by this Agreement shall be subject to the satisfaction, fulfillment or written waiver by the Company, at or prior to the Effective Time of the following conditions:

(a) Performance of Obligations; Representations and Warranties. Each of Parent, Merger Sub and Gilat shall have performed in all material respects each of its agreements contained in this Agreement required to be performed on or prior to the Effective Time, each of the representations and warranties of Parent, Merger Sub and Gilat contained in this Agreement that is qualified by materiality shall be true and correct on and as of the Effective Time as if made on and as of such date (other than representations and warranties which address matters only as of a certain date which shall be true and correct as of such certain date) and each of the representations and warranties that is not so qualified shall be true and correct in all material respects on and as of the Effective Time as if made on and as of such date (other than representations and warranties which address matters only as of a certain date which shall be true and correct in all material respects as of such certain date), and the Company shall have received certificates signed on behalf of each of Parent, Merger Sub and Gilat by its Chief Executive Officer and Chief Financial Officer to such effect.

(b) Requisite Stockholder Approval. The Company shall have obtained the Requisite Stockholder Approval.

(c) Approvals. All authorizations, consents, orders, declarations or approvals of, or filings with, or terminations or expirations of waiting periods imposed by, any Governmental Authority that are necessary (as determined pursuant to Section 5.5) to effect the Merger or any of the transactions contemplated hereby, including without limitation those required under the HSR Act, shall have been obtained, shall have been made or shall have occurred. In addition, CFIUS shall have provided written notice that it has completed its review (or, if applicable, investigation), and determined that there are no unresolved national security concerns with respect to the transactions contemplated by this Agreement, and the review period under the HSR Act shall have expired or terminated, each without any material restrictions or material conditions having been proposed or imposed on the Merger or the Company arising from such review or investigation.

(d) No Order. No court or other Governmental Authority having jurisdiction over the Company or Parent, or any of Parent's Subsidiaries, shall have enacted, issued, promulgated, enforced or entered any Law, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is then in effect and has the effect of making the Merger or any of the transactions contemplated hereby illegal.

(e) Escrow Agreement. Parent, the Stockholder Representative and the Escrow Agent shall have executed and delivered the Escrow Agreement.

Section 6.2 Conditions to Obligations of Parent and Merger Sub to Effect the Merger. The obligations of Parent and Merger Sub to effect the Merger and consummate the other transactions contemplated by this Agreement shall be subject to the satisfaction, fulfillment or written waiver by Parent, at or prior to the Effective Time of the following conditions:

(a) Performance of Obligations; Representations and Warranties. The Company shall have performed in all material respects each of its agreements contained in this Agreement required to be performed on or prior to the Effective Time; each of the representations and warranties of the Company contained in this Agreement (without giving effect to any materiality qualifications) shall be true and correct on and as of the Effective Time as if made on and as of such date (other than representations and warranties which address matters only as of a certain date which shall be true and correct as of such certain date) except where the failure of such representations and warranties to be true, individually or in the aggregate, has not resulted in or is not reasonably expected to result in a Company Material Adverse Effect; and Parent shall have received a certificate signed on behalf of the Company by its Chief Executive Officer and its Chief Financial Officer to such effect.

(b) Requisite Stockholder Approval; Dissenting Shares. The Company shall have obtained the Requisite Stockholder Approval. Dissenters Stockholders hold less than ten percent (10%) of the aggregate number of the Company Common Stock on an as-converted basis.

(c) Approvals. All authorizations, consents, orders, declarations or approvals of, or filings with, or terminations or expirations of waiting periods imposed by, any Governmental Authority that are necessary (as determined pursuant to Section 5.5) to effect the Merger or any of the transactions contemplated hereby, including without limitation those required under the HSR Act, shall have been obtained, shall have been made or shall have occurred. In addition, CFIUS shall have provided written notice that it has completed its review (or, if applicable, investigation), and determined that there are no unresolved national security concerns with respect to the transactions contemplated by this Agreement, and the review period under the HSR Act shall have expired or terminated, each without any material restrictions or material conditions having been proposed or imposed on the Merger or the Company or Parent arising from such review or investigation.

(d) No Order. No court or other Governmental Authority having jurisdiction over the Company or Parent, or any of Parent's Subsidiaries, shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is then in effect and has the effect of making the Merger or any of the transactions contemplated hereby illegal.

(e) Litigation. No administrative or judicial proceedings shall have been initiated, or threatened in writing by any Governmental Authority, which seek to restrain or prohibit the Merger or any of the transactions contemplated by this Agreement.

(f) Secretary Certificate. The Company shall have delivered to Parent a certificate executed by the Secretary of the Company dated as of the Effective Time, certifying as to (a) the good standing of the Company in its jurisdiction of organization, (b) the Company Charter, (c) the effectiveness of the resolutions required in order to authorize the execution, delivery and performance of this Agreement by the Company and (d) incumbency of officers.

(g) Stockholder Release. Parent shall have received a release in the form attached hereto as Exhibit B-1 from each Stockholder listed on Schedule 6.2(g) (the "*Stockholder Release*").

(h) Executive Stockholder Release. Parent shall have received a release in the form attached hereto as Exhibit B-2 from each Stockholder listed on Schedule 6.2(h) (the "*Executive Stockholder Release*").

(i) Assignment Consents. The Company shall have delivered to Parent the consents with respect to the Merger under the Contracts listed on Schedule 6.2(i).

(j) Escrow Agreement. Parent, the Stockholder Representative and the Escrow Agent shall have executed and delivered the Escrow Agreement.

(k) Company Material Adverse Effect. Since the date of this Agreement, there shall have been no Company Material Adverse Effect.

(l) FIRPTA Certificate. The Company shall have delivered to Parent a certificate prepared in accordance with Treasury Regulations Section 1.1445-2 certifying that interests in the Company are not U.S. real property interests.

ARTICLE VII

INDEMNIFICATION; STOCKHOLDER REPRESENTATIVE

Section 7.1 Survival of Representations, Warranties and Covenants. All representations and warranties made by the Company, Parent, Merger Sub and Gilat in this Agreement shall survive the Closing and shall expire on the Escrow Release Date. Any rights with respect to a claimed breach of a representation or warranty shall expire at the Escrow Release Date, unless on or prior to the Escrow Release Date written notice asserting such claimed breach has been given in accordance with this Article VII and the Escrow Agreement to the party from whom recovery is sought, following which the claim to which such notice relates may continue to be asserted beyond the Escrow Release Date. All covenants and agreements in this Agreement shall survive the Closing and continue in full force and effect.

Section 7.2 Right to Indemnification.

(a) Subject to the limitations set forth in this Article VII and subject to the provisions of Section 5.13(d), from and after the Effective Time, Parent shall be entitled to be indemnified, solely from the Escrow Account (less any applicable fees and expenses of the Escrow Agent, which shall be paid from such account), against any Damages actually incurred by Parent, Merger Sub (after the Effective Time), or the Surviving Corporation as a result of or arising from: (i) any breach of any representation or warranty set forth in Article III, (ii) any breach of any covenant or agreement of the Company set forth in this Agreement, (iii) any Pre-Closing Taxes of the Company or its Subsidiaries (except to the extent, if any, that Closing Net Working Capital has been reduced by the amount of such Taxes), or (iv) any Damages attributable to Allocation Certificate Items and Legal Compliance Failures.

(b) Notwithstanding the foregoing, nothing herein shall limit Parent's ability to assert claims for fraud or intentional misrepresentation.

(c) Subject to the limitations set forth in this Article VII, from and after the Effective Time, the Company Securityholders shall be entitled to be indemnified by Parent and the Surviving Corporation against and held harmless any Damages actually incurred by any of the Company Securityholders to the extent arising out of, relating to, or in connection with: (i) any breach of any representation or warranty set forth in Article IV, or (ii) any breach of any covenant or agreement of Parent, Merger Sub or Gilat set forth in this Agreement.

Section 7.3 Limitations on Liability.

(a) Subject only to Section 5.13(d) and Section 7.2(b), (i) from and after the Effective Time, the right of Parent to be indemnified from the Escrow Account pursuant to this Article VII shall be the sole and exclusive remedy with respect to any breach of any representation or warranty of the Company contained in, or any other breach by the Company of, this Agreement, (ii) no current or former stockholder, director, officer, employee, affiliate or advisor of the Company shall have any Liability of any nature to Parent, the Surviving Corporation or any Affiliate of Parent or the Surviving Corporation with respect to any breach of any representation or warranty contained in, or any other breach of, this Agreement and (iii) the maximum aggregate Liability pursuant to this Article VII or otherwise in connection with this Agreement, the Merger and the transactions contemplated hereby of the Company Securityholders to Parent or Merger Sub shall be limited to amounts then held in the Escrow Account.

(b) Without limiting the effect of any other limitation contained in this Article VII, the indemnification provided for in Section 7.2(a)(i) shall not apply except in the event that the aggregate Damages against which Parent would otherwise be entitled to be indemnified under this Article VII exceeds $750,000 (the "*Basket*") in which event Parent shall, subject to the other limitations contained herein, be entitled to be indemnified for all such Damages including the amount equal to the Basket; *provided, however*, that this limitation shall not apply to Damages resulting from (i) Pre-Closing Taxes pursuant to Section 7.2(a)(iii) or (ii) breaches of the representations and warranties (without giving effect to any materiality qualifications or any items listed in the Company Disclosure Schedule as "informational disclosure only" items) in Section 3.2(f), the last sentence in Section 3.5, Section 3.7(e) and Section 3.9. Any amounts payable to Parent or Merger Sub pursuant to this Article VII shall be paid solely and exclusively from the Escrow Account in accordance with the terms of the Escrow Agreement, and no holder of Company Capital Stock, Company Warrants, Company Options or any other Person shall be liable for any deficiency with respect to indemnity pursuant to this Article VII.

(c) Without limiting the effect of any other limitation contained in this Article VII, the calculation of Damages shall not include losses arising because of a change after Closing in Law or accounting principle. A Person seeking to be indemnified pursuant to Section 7.2 shall not be entitled to multiple recovery for the same Damages.

Section 7.4 Procedures; Third-Party Claims.

(a) Any party seeking indemnification under this Article VII (an "*Indemnified Party*") shall give the party from whom indemnification is being sought (an "*Indemnifying Party*") notice of any matter which such Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, within thirty (30) days of such determination and prior to the Escrow Release Date, stating the amount of the Damages, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises; *provided, however*, that no delay (including past such thirty (30)-day period) on the part of an Indemnified Party in notifying an Indemnifying Party will relieve the Indemnifying Party from any obligation under this Section 7.4 except to the extent that such delay materially prejudices the defense of the Third Party Claim by the Indemnifying Party. In the event that any claim or demand by a third party for which an Indemnifying Party may be liable to any Indemnified Party hereunder (a "*Third Party Claim*") is asserted against or sought to be collected from any Indemnified Party by a third party, such Indemnified Party shall as promptly as reasonably practicable notify the Indemnifying Party in writing of such Third Party Claim and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such Third Party Claim) (the "*Claim Notice*"). The failure on the part of the Indemnified Party to give any such Claim Notice in a reasonably prompt manner shall not relieve the Indemnifying Party of any indemnification obligation hereunder unless, and only to the extent that, the Indemnifying Party is materially prejudiced thereby.

(b) The Indemnifying Party shall have thirty (30) days from the receipt of the Claim Notice (the "*Notice Period*") to notify the Indemnified Party (a) whether or not the Indemnifying Party disputes the liability of the Indemnifying Party to the Indemnified Party hereunder with respect to such Third Party Claim and (b) whether or not it desires to defend the Indemnified Party against such Third Party Claim. All costs and expenses incurred by the Indemnifying Party in defending such Third Party Claim shall be a liability of, and shall be paid by, the Indemnifying Party and shall not be deemed Damages hereunder. Except as hereinafter provided, in the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such Third Party Claim, the Indemnifying Party shall, at its sole cost and expense, have the right to defend the Indemnified Party by appropriate proceedings with counsel of its choice and shall have the power to direct and control such defense, except to the extent the Indemnified Party has claims or defenses available to it that are not available to the Indemnifying Party. If any Indemnified Party desires to participate in any such defense it may do so at its own cost and expense, provided that if the Indemnified Party has defenses different than those of the Indemnifying Party or the matter primarily involves a claim for injunctive relief, the Indemnified Party may participate in any such defense at the reasonable cost and expense of the Indemnifying Party. If the Indemnifying Party does not elect to assume the defense of such Third Party Claim, the Indemnified Party shall have the right to control such defense. The party controlling the defense of such Third Party Claim shall keep the other Party advised of the status of such Third Party Claim and the defense thereof and shall consider in good faith the recommendations made by the other Party with respect thereto.

(c) Neither the Indemnifying Party nor the Indemnified Party shall have the right to settle any Third Party Claim without the written consent of the other Party, which consent shall not be unreasonably conditioned, withheld or delayed; *provided, however*, that the written consent of Parent shall not be required if (i) any amounts payable pursuant to such settlement or compromise do not exceed the aggregate value of the Escrow Amount and (ii) such settlement is solely for money damages, includes a complete written release of Parent and the Surviving Corporation from all liability with respect to such Third-Party Claim and does not impose any injunctive or equitable relief or other operational restrictions on Parent or the Surviving Corporation; *provided, however*, that the written consent of the Indemnifying Party shall not be required if (i) the Indemnifying Party had the right to assume the defense of a Third Party Claim pursuant to this Section 7.4 and (ii) the Indemnifying Party did not elect to assume the defense of such Third Party Claim. Except to the extent provided in the preceding sentence, no settlement of any such Third-Party Claim shall be determinative of the amount of any claim against the Company or the Escrow Amount.

(d) If there is a Third Party Claim that has survived after the Escrow Release Date and at least twelve (12) months have elapsed since the last communication received from the third-party claimant by the Indemnified Party or any other party to this Agreement with respect to such Third Party Claim, then such Third Party Claim shall be deemed to be dormant, the Indemnifying Party shall not be liable for any Damages arising out of such Third Party Claim, and any portion of the Escrow Amount that were held in reserve in the Escrow Account with respect to such Third Party Claim shall promptly be released by the Escrow Agent following the date of such twelve-month anniversary.

Section 7.5 Characterization of Payments. The Parties agree that any indemnification payments made pursuant to this Article VII shall be treated for all Tax purposes as an adjustment to the Merger Consideration unless otherwise required by Law.

Section 7.6 Stockholder Representative.

(a) Shareholder Representative Services LLC is hereby appointed as agent and attorney-in-fact for and on behalf of each of the Company Securityholders (the "*Stockholder Representative*"), to give and receive notices and communications, to agree to, negotiate and enter into settlements and compromises of claims, to demand, prosecute and defend claims arising out of this Agreement and the Escrow Agreement and to comply with orders of courts and determinations and awards with respect to claims, and to take all actions necessary or appropriate in the judgment of the Stockholder Representative for the accomplishment of the foregoing. Such agency may be changed from time to time by the consent of the holders of a majority-in-interest of the Escrow Account upon not less than thirty (30) calendar days' prior written notice to Parent. Any vacancy in the position of Stockholder Representative shall be filled by the holders of a majority-in-interest of the Escrow Account. The Stockholder Representative may resign upon thirty (30) calendar days' prior written notice to Parent. No bond shall be required of the Stockholder Representative. Notices or communications to or from the Stockholder Representative shall constitute notice to or from each Company Securityholder. Each Company Securityholder hereby agrees to receive correspondence from the Stockholder Representative, including in electronic form.

(b) The Stockholder Representative shall not have any liability for any Damages to the Company Securityholders for any action taken or suffered by it or omitted hereunder as Stockholder Representative, except as caused by the Stockholder Representative's gross negligence or willful misconduct. The Company Securityholders shall indemnify, defend and hold harmless the Stockholder Representative and its successors and assigns from and against any and all Damages arising as a result of or incurred in connection with any actions taken or omitted to be taken by the Stockholder Representative pursuant to the terms of this Agreement, except as caused by the Stockholder Representative's gross negligence or willful misconduct. If not paid directly to the Stockholder Representative by the Company Securityholders, any such Damages may be recovered by the Stockholder Representative from the funds in the Escrow Account otherwise distributable to Company Securityholders following the Escrow Release Date pursuant to the terms hereof and the Escrow Agreement at the time of distribution; *provided, however*, that while this section allows the Stockholder Representative to be paid from the Escrow Account, this does not relieve the Company Securityholders from their obligation to promptly pay such Damages, nor does it prevent the Stockholder Representative from seeking any remedies available to it at law or otherwise. The Stockholder Representative may, in all questions arising hereunder, rely on the advice of counsel and the Stockholder Representative shall not be liable to the Company Securityholders for anything done, omitted or suffered by the Stockholder Representative based on such advice. The Stockholder Representative undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Stockholder Representative.

(c) A decision, act, consent or instruction of the Stockholder Representative shall be deemed to have been taken or given on behalf of all the Company Securityholders and shall be final, binding and conclusive upon all Company Securityholders, and the Parent may rely upon any such decision, act, consent or instruction of the Stockholder Representative as being the decision, act, consent or instruction of, and binding on, each of the Company Securityholders. Parent, the Company and their respective representatives are hereby relieved from any liability to any Person for any acts done by them in accordance with such decision, act, consent or instruction of the Stockholder Representative.

(d) At the Closing, Parent shall deliver to the Stockholder Representative Two Hundred Fifty Thousand Dollars ($250,000) of the Merger Consideration (the "*Stockholder Representative Account Fund*") which shall be held by the Stockholder Representative in a segregated client bank account for the benefit of the Company Securityholders (the "*Stockholder Representative Account*"). The Company Securityholders shall earn no interest on the Stockholder Representative Account Fund. The Company Securityholders acknowledge that the Stockholder Representative is not providing any investment supervision, recommendations, or advice. The Stockholder Representative shall have no responsibility or liability for any loss of principal of the Stockholder Representative Account Fund other than as a result of its gross negligence or willful misconduct. Subject to Section 7.6(f) the Stockholder Representative Account Fund shall remain in the Stockholder Representative Account up to the later of the Earnout Determination Date or the date that all disputes, if any, between the Stockholder Representative and Parent pursuant to this Agreement have been resolved (such later date, the "*Stockholder Representative Account Release Date*").

(e) At the Closing, Parent shall deliver to the Stockholder Representative One Million Dollars ($1,000,000) of the Merger Consideration (the "*Retention Amount*") which shall be held by the Stockholder Representative in a segregated client bank account for the benefit of the Company Securityholders (the "*Retention Account*"). The Company Securityholders shall earn no interest on the Retention Amount. The Company Securityholders acknowledge that the Stockholder Representative may select a bank with which it has an existing relationship and is not providing any investment supervision, recommendations or advice. The Stockholder Representative shall have no responsibility or liability for any loss of principal of the Retention Amount other than as a result of its gross negligence or willful misconduct. Payment of the Retention Amount shall be made in accordance with the terms of that certain agreement by and among the Stockholder Representative and the parties set forth on the signature page thereto, dated on or around the date hereof, and all such portions of the Retention Amount payable to the Company Securityholders thereunder shall be made on a pro rata basis, as determined by the respective portions of the Merger Consideration withheld from each Company Securityholder in establishing the Retention Account. None of Gilat, Parent or Merger Sub is a party to such agreement or has any rights or obligations thereunder.

(f) Notwithstanding any other provision of this Agreement or otherwise, the Stockholder Representative is authorized to draw upon the Stockholder Representative Account to pay expenses as it deems, in good faith, to be necessary or appropriate in connection with the defense of indemnity claims, or the enforcement of rights under this Agreement, on behalf of the Company Securityholders, and such other costs and expenses incurred in connection with the consummation of any transaction contemplated by this Agreement. Payment of the Stockholder Representative Account Fund on the Stockholder Representative Account Release Date shall be made to the Company Securityholders on a pro rata basis, as determined by the portion of the Merger Consideration withheld from each Company Securityholder in establishing the Stockholder Representative Account Fund.

Section 7.7 Exclusive Remedy. Subject to Section 2.10, Section 2.11, Section 5.12, Section 7.2(b), Section 9.7, the indemnification provided in this Article VII, subject to the limitations set forth herein, shall be the exclusive post-Closing remedy available to any Party in connection with any Damages arising out of or resulting from this Agreement or the transactions contemplated hereby and the Escrow Account shall be the sole source of remedy for any breach of any representation or warranty by the Company under this Agreement.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after any approval of the matters presented in connection with the Merger by the Stockholders:

(a) by mutual written consent of Parent and the Company;

(b) by Parent, if any representation or warranty made by the Company in this Agreement shall not be true and correct, or if the Company breaches or fails to perform any of its covenants or agreements contained in this Agreement, which failure to be true and correct, breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 6.2 and (ii) cannot be or has not been cured prior to the Outside Date; *provided, however*, that Parent shall have given the Company written notice, delivered at least ten (10) Business Days prior to such termination, stating Parent's intention to terminate this Agreement pursuant to this Section 8.1(b) and the basis for such termination;

(c) by the Company, if any representation or warranty made by Parent, Merger Sub or Gilat in this Agreement shall not be true and correct, or if Parent, Merger Sub or Gilat breaches or fails to perform any of its covenants or agreements contained in this Agreement, which failure to be true and correct, breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 6.1 and (ii) cannot be or has not been cured prior to the Outside Date; *provided, however*, that the Company shall have given Parent written notice, delivered at least ten (10) Business Days prior to such termination, stating the Company's intention to terminate this Agreement pursuant to this Section 8.1(c) and the basis for such termination;

(d) by either Parent or the Company if the Merger has not been effected on or prior to the close of business on January 12, 2011 (the "*Initial Outside Date*"); *provided, however*, that if the conditions set forth in Section 6.1(c) or Section 6.2(c) shall not have been satisfied prior to the Initial Outside Date, such date shall be extended by the sum of (x) sixty (60) days plus (y) the number of Extension Days (the Initial Outside Date, as so extended, if applicable, the "*Outside Date*"); *provided, however*, that the right to terminate this Agreement pursuant to this Section 8.1(d) shall not be available to any Party (A) whose failure to fulfill any of its obligations contained in this Agreement has been the cause of, resulted in, or contributed to, the failure of the Merger to have occurred on or prior to the aforesaid date, (B) who has failed to comply in all material respects with any of its covenants or agreements contained in this Agreement, which failure to comply has not been cured;

(e) by either Parent or the Company if any court or other Governmental Authority having jurisdiction over a Party hereto shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable; *provided, however*, that the right to terminate this Agreement pursuant to this Section 8.1(e) shall not be available to any Party whose breach of any provisions of this Agreement has been the cause of, resulted in, or contributed in any material respect to, such order, decree, ruling or other action; or

(f) by Parent if the Company has not delivered copies of written consents by the Stockholders holding a sufficient number of shares of all classes of capital stock to comprise the Requisite Stockholder Approval by 5:00 p.m. local time in San Diego, California, on the second (2nd) Business Day after the Execution Date or if following the Execution Date and prior to the receipt of the Requisite Stockholder Approval, the Company or the Board of Directors of the Company shall have failed to recommend or shall have withdrawn, modified or changed in any respect its recommendation of the approval of this Agreement, the Merger or any of the transactions contemplated hereby.

Section 8.2 Effect of Termination. In the event of termination of this Agreement by either Parent or the Company pursuant to Section 8.1, all further obligations of the parties under this Agreement shall terminate; *provided, however*, that (a) neither the Company nor Parent shall be relieved of any obligation or liability arising from any inaccuracy or prior breach by such Party of any representation, warranty, covenant or other provision of this Agreement and (b) the Parties shall, in all events, remain bound by and continue to be subject to the provisions set forth in the last sentence of Section 5.4, and the entirety of Section 5.6, Section 5.9, Section 8.2 and Article IX. In the event of a termination of this Agreement by Parent pursuant to Section 8.1(f), the Company shall pay Parent a termination fee by wire transfer of same day funds of (x) $1,000,000 (One Million Dollars) plus (y) Parent's reasonable charges and expenses incurred in connection with the transactions contemplated hereby, within two (2) Business Days after such termination and, if the Company enters into a definitive agreement relating to a merger or sale of a majority of the stock or assets of the Company within twelve (12) months of such termination pursuant to Section 8.1(f), then the Company shall pay Parent, prior to the time of execution of such definitive agreement for such transaction, an additional termination fee by wire transfer of same day funds of $4,000,000 (Four Million Dollars).

Section 8.3 Amendment. Except as is otherwise required by applicable Law, prior to the Closing this Agreement may be amended by the parties hereto at any time by execution of an instrument in writing signed by Parent, Merger Sub, Gilat and the Company. Except as is otherwise required by applicable Law, after the Closing this Agreement may be amended by the parties hereto at any time by execution of an instrument in writing signed by Parent, Merger Sub, Gilat and the Stockholder Representative.

Section 8.4 Extension; Waiver. At any time prior to the Effective Time, the Parties hereto may (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained herein which may legally be waived. 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. No failure of any Party to exercise any power given such Party hereunder or to insist upon strict compliance by any Party with its obligations hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of that Party's right to demand exact compliance with the terms hereof. Any waiver shall not obligate that Party to agree to any further or subsequent waiver or affect the validity of the provision relating to any such waiver.

ARTICLE IX

GENERAL PROVISIONS

Section 9.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (i) on the date of delivery if delivered personally, (ii) on the date of confirmation of receipt (or, the first Business Day following such receipt if such date is not a Business Day) of transmission by facsimile (but only if followed by transmittal by a nationally recognized overnight carrier for delivery on the next Business Day), or (iii) on the date of confirmation of receipt (or, the first Business Day following such receipt if such date is not a Business Day) if delivered by a nationally recognized overnight courier service. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the Party to receive such notice:

If to Gilat, Parent, Merger Sub, or the Surviving Corporation, to:

Gilat Satellite Networks Ltd.
Gilat House, Yegia Kapayim Street
Daniv Park, Kiryat Arye, Petah Tikva, Israel
Attention: General Counsel
Facsimile No.: 972-3-9252945

with a copy to:

Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004
Attention: Steven M. Kaufman
Facsimile No.: (202) 637-5910

If to the Company (prior to the Effective Time), to:

Wavestream Corporation
545 West Terrace Drive
San Dimas, California 91773
Attention: President and Chief Executive Officer
Facsimile No.: (909) 599-9082

with a copy to:

Morrison & Foerster LLP
12531 High Bluff Drive, Suite 100
San Diego, CA 92130
Attention: Scott M. Stanton, Esq.
Taylor L. Stevens, Esq.
Facsimile No.: (858) 523-2812

If to the Stockholder Representative:

Shareholder Representative Services
601 Montgomery Street, Suite 2020
San Francisco, California 94111
Attention: Managing Director
Facsimile No.: (415) 962-4147

with a copy to:

Morrison & Foerster LLP
12531 High Bluff Drive, Suite 100
San Diego, CA 92130
Attention: Scott M. Stanton, Esq.
Taylor L. Stevens, Esq.
Facsimile No.: (858) 523-2812

Section 9.2 Counterparts. This Agreement may be executed in 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 parties.

Section 9.3 Entire Agreement; Third-Party Beneficiaries. The Confidentiality Agreement and this Agreement, together with the Company Disclosure Schedule and the other documents and instruments executed in connection herewith, is an integrated document and contains the sole and entire agreement and understanding between the Parties as to the matters contained herein, and except as expressly provided herein, fully supersedes and merges any and all prior and contemporaneous agreements, understandings, proposals, negotiations, arrangements and/or discussions, both written and oral, among the Parties with respect to the subject matter hereof. This Agreement, except for the provisions of Section 5.7, Article VII and as expressly provided herein, is not intended to confer upon any Person other than the Parties hereto any rights or remedies hereunder, provided that the parties hereto agree that the Stockholder Representative shall be a third-party beneficiary to this Agreement and shall have the right, on behalf of the Company Securityholders to enforce any provision of this Agreement that survives the Effective Date and remains a continuing obligation of Parent and/or Surviving Corporation. This Agreement shall be construed and interpreted without reference to the principle that a contract is to be construed against the drafter of the contract, it being acknowledged that the provisions of this Agreement have been drafted by the Parties during negotiations.

Section 9.4 Governing Law.

(a) 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.

(b) The jurisdiction and venue in any action brought by any Party pursuant to this Agreement shall properly and exclusively lie in any federal or state court located Wilmington, Delaware. By execution and delivery of this Agreement, each Party irrevocably submits to the jurisdiction of such courts for himself or itself and in respect of his or its property with respect to such action. The Parties irrevocably agree that venue would be proper in such court, and hereby waive any objection that such court is an improper or inconvenient forum for the resolution of such action. The Parties further agree that the mailing by certified or registered mail, return receipt requested, to such Party's address set forth in Section 9.1, of any process required by any such court shall constitute valid and lawful service of process against them, without necessity for service by any other means provided by statute or rule of court.

(c) Each of the Parties hereby knowingly, voluntarily and intentionally waives any rights it may have to a trial by jury in respect of any litigation based hereon or arising out of, under or in connection with this Agreement or any of the other documents referred to herein or any course of conduct, course of dealing, statements (oral or written) or actions of the Parties.

Section 9.5 Assignment. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other parties. Any purported assignment in violation of this Section 9.5 shall be void. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Section 9.6 Severability. In the event that any provision of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other Persons or circumstances will be interpreted so as reasonably to effect the intent of the Parties hereto. The Parties further agree to negotiate in good faith to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the greatest extent possible, the economic, business and other purposes of such void or unenforceable provision.

Section 9.7 Enforcement of this Agreement. 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 wording or were otherwise breached. Notwithstanding Section 9.8, it is accordingly agreed that the parties hereto and the Disputing Parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof; *provided, however*, that, subject to Section 9.8, such remedy shall be in addition to any other remedy to which any Party is entitled at law or in equity.

Section 9.8 Dispute Resolution.

(a) Dispute. Any controversy, claim or dispute of whatever nature, including claims for fraud in the inducement and disputes as to arbitrability, arising between the Company (prior to the Effective Time) or the Stockholder Representative, including the Company Securityholders (after the Effective Time), on the one hand, and Parent, Merger Sub or Surviving Corporation, on the other hand (each, a "*Disputing Party*") under this Agreement or in connection with the transactions contemplated hereunder, including those arising out of or relating to the breach, termination, enforceability, scope, validity, or making of this Agreement, whether such claim existed prior to or arises on or after the Closing Date (a "*Dispute*"), shall be resolved by good faith negotiations among the Disputing Parties, such negotiation not to exceed a period of thirty (30) consecutive days (the "*Negotiation Period*"). In the event a Dispute remains unresolved following the Negotiation Period, such Dispute shall be resolved by binding arbitration, unless the Disputing Parties otherwise agree. The agreement to arbitrate contained in this section shall continue in full force and effect despite the expiration, rescission or termination of this Agreement.

(b) Arbitration; Submission to Jurisdiction. Neither Disputing Party shall commence an arbitration proceeding pursuant to the provisions of this Agreement unless such Disputing Party shall first give a written notice (a "*Dispute Notice*") to the other Disputing Party setting forth the nature of the Dispute. The Dispute shall be determined by binding arbitration in Delaware within twenty (20) Business Days after receipt of a Dispute Notice. The arbitration shall be conducted in accordance with the CPR Institute for Dispute Resolution ("*CPR*") Rules for Non-Administered Arbitration ("*CPR Rules*"), subject to any modifications contained in this Agreement. The Dispute shall be determined by a single, neutral arbitrator, except that if the Dispute involves an amount in excess of Four Hundred Thousand Dollars ($400,000) (exclusive of interest and costs), three arbitrators shall be appointed. The Disputing Parties shall agree upon the arbitrator(s) within the (10) Business Days after receipt of a Dispute Notice. Each arbitrator shall be a retired state or federal judge or an attorney with at least fifteen (15) years of business litigation experience. If the Disputing Parties are unable to agree upon the arbitrator(s) within such period, the arbitrator(s) shall be selected by CPR in accordance with the CPR Rules. An award shall be made by a majority of the arbitrators. The arbitrator(s) shall base the award on the "four corners" of the Agreement, and only when the answer to a Dispute is not contained therein, shall the arbitrators look to the governing law designated herein and judicial precedent in accordance with the terms hereof to resolve the Dispute. Without limiting the foregoing, nothing herein contained shall be deemed to give the arbitrator(s) any authority, power or right to change, modify, add to or subtract from this Agreement (except as expressly provided herein).

(i) The arbitrators shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including equitable remedies, rescission, specific performance of any obligation created under the Agreement, the issuance of an injunction, or the imposition of sanctions for abuse or frustration of the arbitration process. The arbitrators shall award to the prevailing party, if any, as determined by the arbitrators, all of such party's reasonable Expenses.

(ii) Discovery will be limited to an exchange of directly relevant documents and answers to interrogatories. Depositions will not be taken except as needed in lieu of a live appearance. The arbitrator(s) shall resolve any discovery disputes. The arbitrator(s) and counsel of record will have the power of subpoena process as provided by law. The Disputing Parties knowingly and voluntarily waive their rights to have any Dispute tried and adjudicated by a judge or a jury.

(iii) The arbitration shall be governed by the substantive laws of the State of Delaware, applicable federal laws and the CPR Rules, regardless of laws that might otherwise govern under applicable principles of conflicts of laws thereof. Judgment upon award rendered may be entered in any court having jurisdiction.

(iv) Except as otherwise required by law or in court proceedings to enforce this Agreement or an award rendered hereunder or to obtain interim relief, the Disputing Parties and the arbitrator(s) agree to keep confidential and not disclose to third parties any information or documents obtained in connection with the arbitration process, including the resolution of the Dispute. If either Disputing Party fails to proceed with arbitration as provided in this Agreement, or unsuccessfully seeks to stay the arbitration, or fails to comply with the arbitration award, or is unsuccessful in vacating or modifying the award pursuant to a petition or application for judicial review, the other Disputing Party shall be entitled to be awarded Expenses paid or incurred in successfully compelling such arbitration or defending against the attempt to stay, vacate or modify such arbitration award and/or successfully defending or enforcing the award.

(v) Each of the Disputing Parties hereto irrevocably submits in any suit, action or proceeding arising out of or related to, and permitted by, this Agreement or any of the transactions contemplated hereby to the non-exclusive jurisdiction (including personal jurisdiction) of the Federal or state courts in the State of Delaware, and each party waives any and all objections to jurisdiction and to forum (including forum non conveniens) that they may have under the laws of the United States or any such State.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, Gilat, Parent, Merger Sub, the Company and the Stockholder Representative have caused this Agreement to be signed by their respective officers thereunto duly authorized all as of the date first written above.

GILAT SATELLITE NETWORKS LTD.

By: _____
Print Name: Amiram Levinberg
Title: Chief Executive Officer

SPACENET INC.

By: _____
Print Name: Andreas M. Georghiou
Title: Chief Executive Officer

WIDEBAND ACQUISITION CORPORATION

By: _____
Print Name: Amiram Levinberg
Title: President and Chief Executive Officer

WAVESTREAM CORPORATION

By: _____
Print Name: Clifton L. Cooke, Jr.
Title: President and Chief Executive Officer

SHAREHOLDER REPRESENTATIVE SERVICES LLC,
solely in its capacity as the Stockholder Representative

By: _____
Print Name: W. Paul Koenig
Title: Managing Director

Exhibit 4.3

UNIT PURCHASE AGREEMENT

AMONG

SPACENET INTEGRATED GOVERNMENT SOLUTIONS, INC.,

AS THE BUYER,

THE SELLING MEMBERS,

RAYSAT ANTENNA SYSTEMS, LLC,

AND

THE SELLING MEMBERS' REPRESENTATIVE

DATED AS OF MARCH __, 2010

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UNIT PURCHASE AGREEMENT

This Unit Purchase Agreement is entered into as of March__, 2010 (this "Agreement"), by and among SPACENET INTEGRATED GOVERNMENT SOLUTIONS, INC., a company incorporated under the laws of the State of Delaware (the "Buyer"), RAYSAT ANTENNA SYSTEMS LLC, a limited liability company incorporated under the laws of the State of Delaware (the "Company"), the members of the Company set forth on Schedule A attached hereto ("Schedule A") (each a "Selling Member", and collectively, the "Selling Members") and the Selling Members' Representative. Each of the Buyer, the Company and each of the Selling Members referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS, each Selling Member owns all of the issued and outstanding Units (as defined below) set forth opposite such Selling Member's name on Schedule A (collectively, the "Sold Units") as well as the Unit Rights set forth on such Schedule; and

WHEREAS, the Sold Units and the Unit Rights set forth opposite each Selling Member's name on Schedule A constitute all of such Selling Member's interest in the Company, and no other units, profits interests, rights, options, warrants or any other rights or securities convertible into or exchangeable for units are owned by such Selling Member; and

WHEREAS, the Selling Members desire to sell to the Buyer, and the Buyer desires to purchase from the Selling Members, the Sold Units in the amounts and for the consideration set forth opposite each Selling Member's name on Schedule A (the "Transaction"); and

WHEREAS Simona Gat and Liav Even-Chen (collectively, the "RAS Inc. Principals") own all of the issued and outstanding capital shares of RaySat Antenna Systems, Inc. ("RAS Inc."), which owns 4,000,000 Units (as defined below) of the Company as set forth on Schedule A; and

WHEREAS concurrently with the execution and delivery of this Agreement and as a condition to the willingness of the Buyer to enter into this Agreement, the Buyer, RAS Inc. and the RAS Inc. Principals have entered into a Share Purchase Agreement dated as of the date of this Agreement ("RAS Inc. SPA"), pursuant to which, among other things, the RAS Inc. Principals have agreed to sell all of the issued and outstanding shares of RAS Inc. to the Buyer and to indemnify the Buyer against certain losses arising out of breaches of the representations, warranties, covenants and agreements of the Company set forth in this Agreement to the same extent as the Selling Members hereunder; and

WHEREAS following the consummation of the transactions contemplated by this Agreement and the RAS Inc. SPA, the Buyer will own, directly and indirectly, all of the issued and outstanding Units of the Company and all Unit Rights shall have been cancelled or terminated; and

WHEREAS concurrently with the execution and delivery of this Agreement and as a condition to the willingness of the Buyer to enter into this Agreement, the Buyer, each Selling Member and the RAS Inc. Principals have entered into an Indemnification Agreement dated as of the date of this Agreement (the "Indemnification Agreement") pursuant to which, among other things, the Selling Members and the RAS Inc. Principals have agreed to indemnify the Buyer against, among other things, certain losses arising out of breaches of the representations, warranties, covenants and agreements set forth in this Agreement; and

WHEREAS concurrently with the execution and delivery of this Agreement and as a condition to the willingness of the Buyer to enter into this Agreement, the Buyer and, the Selling Members' Representative have agreed to enter into an Escrow Agreement dated as of the date of the Closing (the "Escrow Agreement") with the Selling Members' Representative acting on behalf of the Selling Members, the RAS Inc. Principals and the UPA COC Recipients (as defined below) and to the delivery by the Buyer to the escrow agent of $2,500,000 (the "Escrow Amount") from the consideration otherwise payable to the Selling Members and the RAS Inc. Principals and the UPA COC Recipients; and

WHEREAS concurrently with the execution and delivery of this Agreement and as a condition to the willingness of the Buyer to enter into this Agreement, the Company and each of David Gross and Ilan Kaplan have agreed to enter into a consulting/employment agreement with each of them on terms to be agreed and dated as of the date of the Closing Date.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter contained, and intending to be legally bound, the Parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Certain Defined Terms. Capitalized terms used herein but not defined have the respective meanings given to such terms below.

"Affiliate" of any Person means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person.

"Best Knowledge", with respect to any matter in question, means the extent of matters that are actually known by an officer or director (or Person fulfilling an equivalent position) of the Company or any of its Subsidiaries (or of the Selling Members, as the case may be) or that should reasonably and customarily be expected to be known by such individuals in the ordinary course of the discharge of their responsibilities or duties on behalf of the Company or any of its Subsidiaries (or of the Selling Members, as the case may be).

"Business Day" means any day other than Saturday, Sunday and any day on which banking institutions in the state of Delaware or the State of Israel are authorized by law or other governmental action to close.

"Certificate of Formation" means the Certificate of Formation of the Company filed with the Secretary of State of the State of Delaware on July 6, 2006.

"Change in Control Payments" means (i) the payments pursuant to Section 2.02 and as set forth on Schedule B.1 to the holders of the Unit Rights, (ii) the payments pursuant to Section 2.02 and as set forth on Schedule B.2 (as shall be updated to the date of Closing) to the holders of Company Equity Appreciation Rights, and (iii) the payments pursuant to Section 2.02 to the persons and entities listed on Schedule B.3 (as shall be updated to the date of Closing). For the avoidance of doubt, the following shall not be deemed to be Change in Control Payments: (i) any payment to David Gross, Ilan Kaplan, Simona Gat and Liav Even-Chen pursuant to Section 6.12(a) for the unpaid compensation expenses and (ii) repayment to David Gross of the non-convertible loan in a principal amount of $100,000, plus interest.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Company Disclosure Schedules" means the schedules attached hereto as Exhibit A containing information relating to the Company.

"Company Equity Appreciation Rights" means any equity appreciation rights granted under the RaySat Antenna Systems, LLC 2007 Equity Incentive Plan.

"Company Transaction Fees" means the aggregate amount of all out-of-pocket fees and expenses incurred or payable by the Company and/or its Subsidiaries (including the fees and expenses of any legal counsel, and fees and expenses of any accountant, auditor, broker, other financial advisor, consultant or other legal counsel retained by or on behalf of the Company and/or its Subsidiaries), arising from or in connection with the Transaction or otherwise relating to the negotiation, preparation or execution of this Agreement, the Indemnification Agreement or the transactions contemplated hereby or thereby.

"Convertible Notes" means the convertible promissory notes issued by the Company in 2006 and 2008, as amended, with an aggregate principal amount of $1,106,372.

"Free and Clear" means fully paid and non-assessable, free from all liens, charges, encumbrances, options, debts, claims, restrictions, trusts, powers of attorney, obligations, undertakings and the like, of any nature or any other rights and/or claims of any third party, other than as set forth in the Operating Agreement.

"Guarantee" of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (ii) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided, however, that the term Guarantee shall not include endorsements for collection or deposit, in each case in the ordinary course of business.

"Indebtedness" of any Person means (i) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all obligations of such Person upon which interest charges are customarily paid, other than trade credit incurred in the ordinary course of business consistent with past practice, (iv) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person (other than trade credit incurred in the ordinary course of business consistent with past practice), (v) all obligations of such Person issued or assumed as the deferred purchase price of property or services, (vi) all indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (vii) all Guarantees by such Person, (viii) all capital lease obligations of such Person, (ix) all obligations of such Person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements and (x) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances.

"Key Employees" means David Gross, Simona Gat and Ilan Kaplan..

"Knowledge" means, with respect to any matter in question, the extent of matters that are actually known by an officer or director (or Person fulfilling an equivalent position) of the Company or any of its Subsidiaries (or of the Selling Members, as the case may be).

"Law" means any applicable statute, law, ordinance, decree, order, rule or regulation.

"Legal Proceeding" means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Entity or any arbitrator or arbitration panel.

"Legal Requirement" means any US or Israeli local, municipal or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity.

"Lien" means any mortgage, pledge, claim, lien, charge, encumbrance, option, debt, restriction, trust, power-of-attorney, obligation, undertaking, or security interest, or any other right or claim of any third party – in each case - of any kind or nature whatsoever.

"Material Adverse Effect" means any state of continued, unremedied facts, change, effect, condition, development, event or occurrence that has been, is or would reasonably be expected to be material and adverse to the (a) condition (financial or other), (b) business, (c) results of operations, (d) assets, (e) liabilities or (f) operations of the Company or any of its Subsidiaries, taken as a whole, or the ability of the Company to consummate the transactions contemplated by this Agreement. Notwithstanding the foregoing, "Material Adverse Effect" shall not include or take into account any state of facts, change, effect, condition, development, event or occurrence that is the result of (i) factors affecting any national, regional or world economy, (ii) an outbreak or escalation of any national or international hostilities or an act of terrorism or other similar calamity or crisis, (iii) factors generally affecting the industry or markets in which the Company competes or the financial or capital markets, (iv) any formal announcement by any Party or any of their Affiliates which is required by law or agreed upon by the Parties concerning this Agreement or the transactions thereunder, (v) any action taken or requested by the Buyer or any of its Affiliates, or (vi) any failure by the Company to meet any projections.

"Members" means the members of the Company.

"OPCO" means Oppenheimer & Co., Inc. and any of its Affiliates.

"OPCO Fee" means any and all fees and expenses owed to OPCO pursuant to that certain Engagement Letter by and between the Company and OPCO, dated as of December 29, 2008 as may be amended prior to the Closing Date.

"Operating Agreement" means the limited liability company agreement of the Company, as restated and amended from time to time.

"Organizational Documents" means the Certificate of Formation and the Operating Agreement.

"Permitted Encumbrances" means: (a) Liens for taxes or other charges or assessments by any Governmental Entity to the extent that the payment thereof is not in arrears or otherwise due or is being contested in good faith; (b) Liens in the nature of zoning restrictions, building and land use laws, ordinances, orders, decrees, restrictions or any other conditions imposed by or pursuant to any Governmental Entity, provided, however, that the same do not materially detract from operation or use of such property; (c) Liens granted to, or reserved for, the Buyer by an instrument executed in connection with this Agreement or the transactions contemplated hereby or thereby; (d) deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance, pension programs mandated under applicable laws or other social security regulations; (e) statutory or common law Liens in favor of carriers, warehousemen, mechanics and materialmen, statutory or common law Liens to secure claims for labor, materials or supplies and other like Liens, which secure obligations to the extent that payment thereof is not in arrears or otherwise due; and (f) easements, restrictions, covenants and other non-possessory interests in or affecting real property in possession of the Company or any of its Subsidiaries.

"Person" means a natural person, corporation, partnership, limited liability company, joint venture, association, trust, Governmental Entity, unincorporated organization or other entity.

"Selling Members Acquisition Expenses" means the fees and expenses accrued, incurred or paid by or on behalf of the Selling Members and the RAS Inc. Principals in connection with the Transaction, including the OPCO Fee and legal fees, the total and break down and allocation of which shall provided to the Buyer by the Selling Members' Representative no less than two (2) Business Days prior to the Closing Date.

"Subsidiary" of any Person, means any other Person (a) more than 50% of whose outstanding shares or securities representing the right to vote for the election of directors or other managing authority of such other Person are, now or hereafter, owned or controlled, directly or indirectly, by such first Person, but such other Person shall be deemed to be a Subsidiary only so long as such ownership or control exists, or (b) which does not have outstanding shares or securities with such right to vote, as may be the case in a partnership, joint venture or unincorporated association, but more than 50% of whose ownership interest representing the right to make the decisions for such other Person is, now or hereafter, owned or controlled, directly or indirectly, by such first Person, but such other Person shall be deemed to be a Subsidiary only so long as such ownership or control exists.

SECTION 1.02. Table of Definitions. The following terms have the meanings set forth in the Sections set forth below:

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2009 Financial Statements	3.03
2009 Tax	6.14
2010 Tax	6.14
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Free and Clear	1.01
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Order	3.02
Organizational Documents	1.01
Participant	3.05
Party	Preamble
Pension Plan	3.11
Permits	3.08
Permitted Encumbrances	1.01
Person	1.01
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RAS Inc. Principals	Recitals
RAS Inc. SPA	Recitals
RAS Israel	3.02
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Released Matters	6.03
Released Party	6.03
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Selling Members	Preamble
Selling Members Acquisition Expenses	1.01
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Through the Closing	3.02
Total Consideration	2.02
Transaction	Recitals
Units	3.01
Unit Rights	3.01
Vendors	3.07
Welfare Plan	3.11

SECTION 1.03. Accounting Terms. Any accounting terms used in this Agreement shall, unless otherwise specifically provided, have the meanings customarily given them in accordance with United States generally accepted accounting principles ("GAAP") and all financial computations hereunder or thereunder shall, unless otherwise specifically provided, be computed in accordance with GAAP consistently applied.

ARTICLE II

PURCHASE AND SALE OF THE SOLD UNITS

SECTION 2.01. Purchase and Sale of the Sold Units. At the Closing and upon the terms and conditions set forth in this Agreement the Selling Members shall sell, transfer, and assign to the Buyer, and the Buyer shall purchase from the Selling Members, the Sold Units, Free and Clear.

SECTION 2.02. The Consideration. (a) Upon the terms and subject to the satisfaction of the conditions contained in this Agreement and the RAS Inc. SPA, the total consideration under this Agreement together with the consideration under the RAS Inc. SPA shall be $25 million (the "Total Consideration"). The consideration to be paid to each of the Selling Members under this Agreement shall be the amount set forth next to the name of each Selling Member (but shall not include the amount set forth next to the name "RAS Inc.") in the column entitled "Gross Consideration" on Schedule A hereto minus (i) such Selling Member's share of the Selling Members Acquisition Expenses, to be paid to the Selling Members' Representative, and (ii) such Selling Member's share of the Escrow Amount in the amount set forth next to the name of each Selling Member (other than the amount set forth next to the name "RAS Inc.") in the column entitled "Escrow Allocation" on Schedule A. The net amount to be paid to each Selling Member at the Closing under this Agreement corresponds to the amount set forth next to the name of each Selling Member (other than "RAS Inc.") in the column entitled "Net Consideration" on Schedule A, less such Selling Member's share of the Escrow Amount in the amount set forth next to the name of each Selling Member in the column entitled "Escrow Allocation" on Schedule A, and in the aggregate for the Selling Members (which shall not include "RAS Inc."), this net amount is referred to as the "Closing Consideration". The applicable Net Consideration, subject to the Tax Withholding, if and to the extent applicable, shall be paid to each Selling Member by a cashier's check or wire transfer to bank accounts designated by each Selling Member.

The Buyer shall deduct and withhold from the Closing Consideration otherwise payable to each Selling Member the amounts required to be deducted and withheld from such payment under the Code, the Israeli Income Tax Ordinance New Version, 1961, or any other applicable state or local Tax law, or Israel or foreign Tax law (the "Tax Withholding") provided that in the event any Selling Member provides the Buyer with a valid approval or ruling issued by the applicable Governmental Entity regarding the withholding (or exemption from withholding) of any applicable Tax from the Closing Consideration in a form reasonably satisfactory to the Buyer, then the deduction and withholding of any amounts under the applicable Tax law from the Closing Consideration payable to such Selling Member shall be made in accordance with the provisions of the applicable approval. To the extent that amounts are withheld for taxes by the Buyer, such withheld amounts shall be remitted by the Buyer to the applicable Governmental Entity and shall be treated for all purposes of this Agreement as having been paid to the Selling Member in respect of which such deduction and withholding was made by the Buyer.

(b) The Buyer shall at the Closing pay the Change of Control Payments as follows:

(i) the Buyer shall pay to the Selling Members' Representative for distribution to each of the persons and entities set forth on Schedule C.1, the amounts set forth next to the name of each person or entity in the column entitled "Gross Consideration" on Schedule C.1 hereto minus (A) such person or entity's share of the Selling Members Acquisition Expenses, and (Bi) such person or entity's share of the Escrow Amount in the amount set forth next to such person or entity's name in the column entitled "Escrow Allocation" on Schedule C.1. The net amounts to be paid to the Selling Members' Representative for distribution to each of the persons and entities set forth on Schedule C.1 correspond to the amounts set forth next to the name of each person or entity in the column entitled "Net Consideration" on Schedule C.1, less such person or entity's share of the Escrow Amount in the amount set forth next to the name thereof in the column entitled "Escrow Allocation" on Schedule C.1.

(ii) the Buyer shall pay to the Company or RAS Israel for distribution to each of the persons set forth on Schedule C.2, the amounts set forth next to the name of each person or entity in the column entitled "Gross Consideration" on Schedule C.2 hereto minus (A) such person or entity's share of the Selling Members Acquisition Expenses, if any, and (Bi) such person or entity's share of the Escrow Amount in the amount set forth next to such person or entity's name in the column entitled "Escrow Allocation" on Schedule C.2. The net amounts to be paid to the Company or RAS Israel for distribution to each of the persons set forth on Schedule C.2 correspond to the amounts set forth next to the name of each person in the column entitled "Net Consideration" on Schedule C.2, less such person or entity's share of the Escrow Amount in the amount set forth next to the name thereof in the column entitled "Escrow Allocation" on Schedule C.2.

The portion of the aggregate Change of Control Payments that are designated in this Section 2.02(b) as part of the Escrow Amount (the "COC Payments Escrow Portion") shall be deposited in escrow in accordance with Section 2.05(C) and shall be subject to the terms of the Indemnification Agreement and the Escrow Agreement.

The Buyer agrees to cause the Company and RAS Israel, as appropriate, to make the payments set forth in the column entitled “Net Consideration” on Schedule C.2, less the applicable portion of the Escrow Amount, as soon as practicable once the withholding taxes can be calculated but no later than the next salary payment date after the Closing.

The Buyer shall deduct and withhold from the Change of Control Payments under Section 2.02(b)(i) otherwise payable to each recipient the Tax Withholding, if and to the extent applicable, provided that in the event any such recipient provides the Buyer with a valid approval or ruling issued by the applicable Governmental Entity regarding the withholding (or exemption from withholding) of any applicable Tax from the Change in Control Payments in a form reasonably satisfactory to the Buyer, then the deduction and withholding of any amounts under the applicable Tax law from the Change in Control Payments payable to such recipient shall be made only in accordance with the provisions of the applicable approval. The Company or RAS Israel, as applicable, shall deduct and withhold from the Change in Control Payments under Section 2.02(b)(ii) otherwise payable to each recipient the amounts required to be deducted and withheld from such payment under the Code, the Israeli Income Tax Ordinance New Version, 1961, or any other applicable state or local Tax law, or Israel or foreign Tax law, provided that in the event any such recipient provides the Company or RAS Israel, as applicable, with a valid approval or ruling issued by the applicable Governmental Entity regarding the withholding (or exemption from withholding) of any applicable Tax from the Change in Control Payments in a form reasonably satisfactory to the Company or RAS Israel, as applicable, then the deduction and withholding of any amounts under the applicable Tax law from the Change in Control Payments payable to such recipient shall be made in accordance with the provisions of the applicable approval.

To the extent that any amounts are withheld for taxes by the Buyer, the Company or RAS Israel, as applicable, such withheld amounts shall be remitted by the Buyer, the Company or RAS Israel, as applicable, to the applicable Governmental Entity and shall be treated for all purposes of this Agreement as having been paid to the recipient in respect of which such deduction and withholding was made by the Buyer, the Company or RAS Israel, as applicable.

(c) The Company shall provide the Buyer with updated versions reasonably acceptable to the Buyer of Schedules A, B and C no later than two (2) Business Days prior to Closing Date, to reflect the updated Selling Members Acquisition Expenses and final Change of Control Payments calculated to the date of Closing and these amended Schedules A, B and C shall amend and supersede the Schedules A, B and C attached hereto.

SECTION 2.03. Closing. The closing (the "Closing") of the Transaction shall take place at the offices of Amit, Pollak, Matalon & Co., 17 Yitzhak Sadeh Street, Tel-Aviv, Israel, as soon as possible, but no later than five (5) Business Days after satisfaction (or waiver by the Party entitled to waive such conditions) of all the conditions precedent to the Closing set forth herein in Article II (the time and date of the Closing being herein referred to as the "Closing Date"); provided, however, that the Buyer or the Selling Members' Representative may terminate this Agreement at any time by giving written notice if the Closing has not occurred within four months of the date hereof. Notwithstanding the foregoing, such period may be extended for an additional two months to obtain the necessary consents of any applicable Governmental Entity provided that all of the other closing conditions set forth in this Agreement have been satisfied within four months of the date hereof (the "Termination Date").

SECTION 2.04. Deliveries by the Selling Members and the Company at Closing. The Selling Members and/or the Company, as indicated below, shall deliver, or cause to be delivered, the following to the Buyer at Closing:

(a) duly executed bills of sale or other documents evidencing transfer of the Sold Units to the Buyer as are mutually satisfactory to counsel for the Company and counsel for the Buyer, to be delivered by each Selling Member;

(b) certificates of dates not more than ten days prior to the Closing Date, confirming the good standing of each of the Company and RAS Israel (as defined below) from the Secretary of State of the State of Delaware and the Israeli Companies Registrar, respectively, to be delivered by the Company;

(c) a certified copy of duly executed minutes or written consent of the resolutions of the Board of Directors of the Company confirming the transfer of the Sold Units from the Selling Members to the Buyer, to be delivered by the Company;

(d) a certified copy of duly executed minutes or written consent of the resolutions of the Board of Directors of the Company substantially in the form attached hereto as Exhibit B approving the execution and delivery of this Agreement and the Indemnification Agreement and the consummation of all the transactions contemplated hereby and thereby, to be delivered by the Company. It is clarified that the aforementioned minutes were executed and provided prior to the execution of this Agreement;

(e) an executed unconditional letter of resignation, effective as of the Closing, of each of the Company's directors, to be delivered by the Company;

(f) copies of all of those third party consents listed on Section 2.06(d) of the Company Disclosure Schedules, all of which shall have been obtained prior to, and shall be in effect on, the Closing Date, to be delivered by the Company;

(g) a copy of its Organizational Documents and any other formation documents of the Company and any of its Subsidiaries, certified by the Company's Secretary as true and correct and complete as of the Closing Date, to be delivered by the Company;

(h) a certificate, duly executed by the manager, managing partner, officer or person holding similar title of each Selling Member that is an entity, confirming that each of the representations and warranties set forth in Article IV is accurate in all respects as of the Closing Date as if made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), to be delivered by the Company;

(i) a certificate duly executed by the chief executive officer of the Company certifying that each of the representations and warranties set forth in Article III is accurate in all respects as of the Closing Date as if made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), to be delivered by the Company;

(j) opinions of legal counsel of the Company, in the form attached hereto as Exhibit C to be delivered by the Company; and

(k) a secretary's certificate for the Company, in form acceptable to the Buyer's counsel, signed by the secretary of the Company, to be delivered by the Company.

SECTION 2.05. Deliveries by the Buyer at Closing. At Closing, the Buyer shall deliver, or cause to be delivered:

(a) to the Selling Members:

(i) the Closing Consideration minus the applicable Tax Withholding;

(ii) a copy of the Escrow Agreement duly executed by the Buyer and the Escrow Agent thereunder; and

(iii) a duly executed secretary’s certificate of the Buyer.

(b) to the Selling Members' Representative the Selling Members Acquisition Expenses.

(c) to the Selling Members’ Representative, the Company or RAS Israel, as applicable, the Change of Control Payments set forth in the column entitled “Net Consideration” on Schedule C.2, minus the COC Payments Escrow Portion and the applicable Tax Withholding.

(d) the Escrow Amount to the escrow agent in accordance with the Escrow Agreement.

SECTION 2.06. The Buyer's Conditions to Closing. The Buyer's obligation to consummate the Transaction pursuant to the terms of this Agreement is subject to the fulfillment, prior to or at the Closing, of each of the following conditions (any or all of which may be waived by the Buyer):

(a) Accuracy of Representations. The representations and warranties made by the Selling Members and the representations and warranties made by Company in this Agreement were true and correct when made in all respects and shall be true and correct in all respects at the Closing Date (except for representations and warranties that speak as of a particular date, which shall be accurate as of such date).

(b) Performance of Covenants. The Selling Members and the Company shall have performed and complied with all obligations and covenants required by this Agreement to be performed or complied with by them prior to or at the Closing.

(c) Deliveries. The Buyer shall have received the deliverables set forth in Section 2.04;

(d) Consents. The Company shall have received all consents, approvals or waivers of, or notices to, a Governmental Entity or any other third party with respect to the transactions contemplated by this Agreement and the Indemnification Agreement, as set forth in Section 2.06(d) of the Company Disclosure Schedules.

(e) Corporate Proceedings. All corporate and other proceedings in connection with the approval and fulfillment of this Agreement (and any of its ancillary documents, schedules or exhibits), including all transactions contemplated at the Closing and all documents incident thereto, have been obtained.

(f) No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated by this Agreement shall have been issued by any court of competent jurisdiction and remain in effect, and there shall not be any Legal Requirement enacted or deemed applicable to the transactions contemplated by this Agreement that makes consummation of the transactions contemplated by this Agreement illegal.

(g) No Legal Proceedings. No Person shall have commenced any Legal Proceeding challenging or seeking to prohibit or limit the exercise by the Buyer of any right pertaining to its ownership of the Sold Units or any other membership interests of the Company.

(h) CFIUS. The period of time for any applicable review process by the Committee on Foreign Investment in the United States ("CFIUS") shall have expired with CFIUS (i) not taking or having taken and withdrawn any recommendation to the President of the United States to block or prevent the consummation of the Transaction; and (ii) not proposing or imposing any restrictions or conditions on the Transaction;

(i) FCC. The affirmative consent to the Transaction of the U.S. Federal Communications Commission pursuant to its rules and the Communications Act of 1934, as amended (the "FCC Consent") has been obtained;

(j) RAS Inc. SPA Closing. The RAS Inc. SPA shall close concurrently with the Closing hereunder.

(k) Intellectual Property and Marketing Agreement. The closing contemplated under the Intellectual Property and Marketing Agreement by and between RaySat Inc., RaySat Bulgaria EOOD, the Company and certain other affiliated parties, in a form reasonably acceptable to the Buyer, shall have occurred.

(l) Agreements and Documents. The Buyer shall have received the following agreements and documents, each of which shall be in full force and effect:

(i) a fully executed Indemnification Agreement substantially in the form attached hereto as Exhibit D;

(ii) a fully executed Escrow Agreement, substantially in the form attached hereto as Exhibit E;

(iii) fully executed consulting/employment agreements with each of David Gross and Ilan Kaplan in forms to be agreed on by the Parties;

(iv) a fully executed non-solicitation agreement by and between the Company and each of the Key Employees and the non-employee director of the Company in the form of an employment or other agreement to be agreed by the Parties;

(v) a duly executed letter from OPCO addressed to the Company and the Buyer, in a form acceptable to the Buyer, pursuant to which OPCO acknowledges and agrees that the undertaking by the Selling Members and the RAS Inc. Principals to pay, following the Closing, the full amount to OPCO agreed between the Company and OPCO prior to the Closing, constitutes a full and final settlement between OPCO, the Company, the Selling Members and the RAS Inc. Principals with respect to, and full satisfaction of, the OPCO Fee and OPCO shall have no further claims or causes of action against the Company, any of its Subsidiaries or any Member or the Buyer in connection with any fees to be paid to OPCO or otherwise for any transactions regarding the Company and/or the Buyer;

(vi) a duly executed letter from the Selling Members and the RAS Inc. Principals addressed to OPCO and the Company, in a form acceptable to the Buyer, pursuant to which the Selling Members and the RAS Inc. Principals (A) acknowledge, undertake and agree to pay to OPCO, following the Closing, such amount as will be agreed between OPCO and the Selling Members and the RAS Inc. Principals prior to the Closing, which amount shall be specified in such letter, and (B) acknowledge and agree that the Selling Members and the RAS Inc. Principals are solely responsible for such payment, without right to indemnity, reimbursement or contribution; and

(vii) a certificate, executed by the Company, certifying that the conditions to be satisfied by the Company set forth in this Section 2.06 have been duly satisfied and that the Company has complied with all covenants of the Company set forth in Section 6.01.

SECTION 2.07. Selling Members' Conditions to Closing. The Selling Members' obligations to consummate the Transaction pursuant to the terms of this Agreement at the Closing are subject to the fulfillment, prior to or at the Closing, of each of the following conditions (any or all of which may be waived by the Selling Members Representative):

(a) Accuracy of Representations. The representations and warranties of the Buyer were true and correct when made in all material respects and shall be true and correct in all respects at the Closing Date as if made on the Closing Date;

(b) Performance of Covenants. The Buyer shall have performed and complied with all obligations and covenants required by this Agreement to be performed or complied with by the Buyer prior to or at the Closing;

(c) No Restraints. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the transactions contemplated by this Agreement shall have been issued by any court of competent jurisdiction and remain in effect, and there shall not be any Legal Requirement enacted or deemed applicable to the transactions contemplated by this Agreement that makes consummation of the transactions contemplated by this Agreement illegal.

(d) Agreements and Documents. The Buyer shall have executed and delivered to the Selling Members (i) this Agreement (ii) the Indemnification Agreement, and (iii) the Escrow Agreement.

SECTION 2.08 Unit Rights and Company Equity Appreciation Rights. At the Closing, each Unit Right and Company Equity Appreciation Right that is (i) vested or (ii) unvested immediately prior to the Closing will be cancelled and extinguished and be converted into the right to receive from the Buyer, as part of the Change in Control Payments, upon delivery by the holder of such Unit Right or Company Equity Appreciation Right to the Buyer of a cancellation and general release agreement, for each Company Unit Right or Company Equity Appreciation Right issuable upon exercise of such vested Unit Right or Company Equity Appreciation Right as of immediately prior to the Closing, an amount equal to the amount set forth opposite such holder's name on Schedule B.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Buyer as follows, subject to the disclosures set forth in the Company Disclosure Schedules, which schedules are hereby incorporated by reference herein:

SECTION 3.01. The Units. (a) The authorized units of membership interests in the Company consist of 28,000,000 units, of which 20,000,000 units are issued and outstanding (the "Units") as of the date hereof, and 8,000,000 Units are reserved as of the date hereof for issuance upon conversion and/or exercise of all options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights, or other rights to acquire, purchase or otherwise receive any such Units or interests, including but not limited to the Convertible Notes ("Unit Rights"), and all of such Units and Unit Rights constitute all of the issued and outstanding and/or reserved equity or voting interests in the Company. All of the Units have been duly authorized and validly issued, are fully paid, non-assessable and Free and Clear, were not issued in violation of the terms of any agreement binding upon the Company and were issued in compliance with the Organizational Documents and all applicable federal and state securities laws, rules and regulations. As of the date of this Agreement, except as set forth in the Organizational Documents, none of the Units are subject to vesting or forfeiture conditions or a right of repurchase by the Company. No Units are held by the Company or any of its Subsidiaries. There are no accrued but unpaid dividends in respect of the Units.

(i) The Company Unit Rights Holders List and the Company Equity Appreciation Rights List attached as Section 3.01(a) of the Company Disclosure Schedule accurately reflects the number of Unit Rights and Company Equity Appreciation Rights held by each holder of Unit Rights Company Equity Appreciation Rights as of the date hereof. All outstanding Unit Rights and Company Equity Appreciation Rights were issued pursuant to and in compliance with a valid exemption from registration under the Securities Act, and have been issued in compliance with applicable state securities Laws, as well as all applicable Israeli securities Laws.

(ii) The Sold Units together with the RAS Units held by RAS Inc constitute 100% of the total number of issued and outstanding Units, on a fully-diluted, as converted basis, and any and all outstanding Unit Rights shall be converted and/or exercised and/or expired prior to or at the Closing.

(b) Except as set forth in Section 3.01(a) of the Company Disclosure Schedules, no Units, or other equity or voting interests in the Company, or options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights, or other rights to acquire, purchase or otherwise receive any such Units or interests have been issued, are reserved for issuance or are outstanding. Except as set forth in Section 3.01(b) of the Company Disclosure Schedules, there are no outstanding Unit appreciation rights or other rights issued by the Company that are linked in any way to the value of the Company or any of its Subsidiaries or any part thereof and any such rights shall be fully exercised prior to or at the Closing.

(c) Except as set forth in Section 3.01(c) of the Company Disclosure Schedules, there are no securities, options, warrants, calls, rights or Contracts of any kind to which the Company is a party, or by which the Company or any of its properties or assets is bound, obligating the Company to issue, deliver or sell, or cause to be issued, delivered or sold, additional units or other equity or voting interests in, or securities convertible into, or exchangeable or exercisable for, units of or other equity or voting interests in, the Company or obligating the Company to issue, grant, extend or enter into any such security, option, warrant, call, right or Contract and any such securities, options, warrants, calls, rights or Contracts shall be exercised or terminated as of the Closing. There are no outstanding contractual or other obligations of the Company to (A) repurchase, redeem or otherwise acquire any units of the Company or (B) vote or dispose of any units of the Company. The Company is not a party to any voting agreement with respect to any units or other equity or voting interests in the Company. Other than the Organizational Documents, there are no irrevocable proxies and no voting agreements to which the Company is a party or, to the Company's Knowledge, with any other person, with respect to any Units, Unit Rights or other equity or voting interests in the Company.

SECTION 3.02. Due Authorization. (a) The Company (i) is a limited liability company, which is duly organized, validly existing and in good standing under the Laws of Delaware, and (ii) has all requisite limited liability company power and authority to enable it to use its name and to own, lease or otherwise hold and operate its properties or assets and to carry on its business as presently conducted and as currently proposed to be conducted. The Company is qualified to transact business and is in good standing in the Commonwealth of Virginia. Raysat Antenna Systems Israel Ltd. ("RAS Israel"), the Company's wholly-owned Subsidiary, is duly organized, validly existing and in good standing under the Laws of Israel. Neither the nature, nor the location, of the business or assets of the Company or any of its Subsidiaries, require any of the aforesaid to be qualified or licensed to do business in any jurisdiction other than Delaware, and Virginia with respect to the Company, and Israel with respect to the RAS Israel. The Company has delivered or made available to the Buyer complete and correct copies of its Organizational Documents as well as the Certificate and Articles of Association of the Subsidiary in effect on the date of this Agreement. The Company has delivered or made available to the Buyer complete and correct copies of the minutes of all meetings of the Members, all meetings of the Board of Directors of the Company and all meetings of each committee of the Board of Directors of the Company and of the Subsidiary, if any.

(b) Except for RAS Israel, the Company does not own, directly or indirectly, any shares or other equity or voting interests in any corporation, partnership, joint venture, association or other entity. No shares, units, or other equity or voting interests in any Subsidiary of the Company, or options, warrants, convertible securities, exchangeable securities, subscription rights, conversion rights, exchange rights, or other rights to acquire, purchase or otherwise receive any such shares, units or interests, have been issued, are reserved for issuance, or are outstanding. There are no outstanding share or unit appreciation rights or other rights issued by any Subsidiary of the Company that are linked in any way to the value of the Company or any of its Subsidiaries or any part thereof. There are no securities, options, warrants, calls, rights or contracts of any kind to which a Subsidiary of the Company is a party, or by which a Subsidiary of the Company or any of its properties or assets is bound, obligating such Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional units or other equity or voting interests in, or securities convertible into, or exchangeable or exercisable for, units of or other equity or voting interests in, such Subsidiary or obligating such Subsidiary to issue, grant, extend or enter into any such security, option, warrant, call, right or contract. There are no outstanding contractual or other obligations to vote or dispose of any units of any Subsidiary of the Company. No Subsidiary of the Company is a party to any voting agreement with respect to any units or other equity or voting interests in any Subsidiary of the Company. There are no irrevocable proxies and no voting agreements with respect to any units or other equity or voting interests in any Subsidiary of the Company.

(c) The Company has the requisite limited liability company power and authority to execute and deliver this Agreement and the Indemnification Agreement, to consummate the transactions contemplated hereby and to comply with the provisions of this Agreement. The execution, delivery and performance of this Agreement and the Indemnification Agreement, by the Company, the consummation by the Company of the transactions contemplated hereby and thereby and the compliance by the Company with the provisions of this Agreement and the Indemnification Agreement have been duly authorized by all necessary corporate action on the part of the Company, and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement and the Indemnification Agreement or to consummate the transactions contemplated hereby and thereby. This Agreement and the Indemnification Agreement have been duly executed and delivered by the Company and constitute a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other similar Laws now or hereafter in effect relating to creditor's rights generally, and general equitable principles (regardless of whether enforcement is considered in equity or at law). Except at set forth on Section 3.02(c)of the Company Disclosure Schedules, the execution and delivery of this Agreement and the Indemnification Agreement, the consummation of the transactions contemplated hereby and thereby and the compliance by the Company Through the Closing (as defined below), with the provisions of this Agreement and the Indemnification Agreement do not and will not conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of, or result in, termination, cancelation or acceleration of any obligation or to a loss of a benefit under, or result in the creation of any Lien in or upon any of the properties or assets of the Company or any of its Subsidiaries under, or give rise to any increased, additional, accelerated or guaranteed rights or entitlements under (individually and collectively, a "Conflict"), any provision of (i) the Certificate of Formation, (ii) the Operating Agreement, or (iii) any loan or credit agreement, bond, debenture, note, mortgage, indenture, guarantee, lease, material purchase order or other material contract, commitment, agreement, instrument, arrangement, understanding, obligation, undertaking, permit, concession, franchise or license, whether oral or written (each, including all amendments thereto, a "Contract"), to which the Company or any of its Subsidiaries is a party or any of the Company's or any of its Subsidiaries' properties or assets is subject or (iv) subject to the governmental filings, approvals and other matters referred to in Section 3.02(d), any applicable Law or judgment, order, writ, injunction, legally binding agreement with a Governmental Entity, stipulation or decree (each, an "Order"), in each case applicable to the Company or any of its Subsidiaries or any of the Company's or any of its Subsidiaries' properties or assets, other than, in the case of clauses (iii) and (iv), any Conflicts that individually or in the aggregate has not had and could not reasonably be expected to (A) have a Material Adverse Effect, (B) impair the ability of the Company to perform its obligations under this Agreement and the Indemnification Agreement or (C) prevent or materially delay the consummation of any of the transactions contemplated by this Agreement and the Indemnification Agreement. "Through the Closing" as used in this Agreement in connection with determining the time at which compliance with the provisions of this Agreement or, as the context requires, the absence of a Conflict, means prior to and at the Closing, provided that it also means after the Closing solely to the extent that noncompliance or such Conflict, as the case may be (i) occurs by virtue of any act or omission of the Company or its Subsidiary prior to Closing or (ii) caused by or result from any breach of representations or warranties of the Company set forth in this Agreement.

(d) Except as set forth on Section 3.02(d) of the Company Disclosure Schedules, no consent, approval, Order or authorization of, or registration, declaration or filing with, any United States federal, state or local, domestic or Israeli, government or any court, administrative agency or commission or other governmental or authority or agency, domestic or foreign (a "Governmental Entity"), is required by or with respect to the Company in connection with the execution and delivery of this Agreement and the Indemnification Agreement, the consummation of the transactions contemplated hereby or thereby or the compliance, Through the Closing, with the provisions of this Agreement and the Indemnification Agreement.

(e) Other than the Company's right of first refusal and the rights granted to members in the Operating Agreement or as set forth on Section 3.02(e)of the Company Disclosure Schedules, no other rights of first refusal, rights of first offer, co-sale rights, drag along rights or other similar rights (i) of the Company in an instrument to which the Company or a Subsidiary is a party or (ii) to the Knowledge of the Company, the Members or any other Person, are triggered by the execution of this Agreement and the Indemnification Agreement or the consummation of the transaction contemplated hereby and thereby.

(f) The Company has delivered to the Buyer complete and correct copies of any filing made by the Company with any Governmental Entity in connection with this Agreement and the Indemnification Agreement or the transactions contemplated hereby or thereby. Upon the consummation of the transactions contemplated by this Agreement (including the payment required under Section 2.02 of this Agreement), neither the Buyer nor the Company, nor any of the Company's Subsidiaries, will have any obligation to make any payment whatsoever to any Person with respect to the ownership of any units, options, warrants or other rights to acquire, purchase or otherwise receive any interests in the Company.

SECTION 3.03. Financial Statements. Section 3.03 of the Company Disclosure Schedules sets forth (a) the audited consolidated financial statements of the Company as of December 31, 2008 (the "2008 Financial Statements"), and the unaudited consolidated financial statements of the Company as of December 31,2009 (the "2009 Financial Statements"), including the related consolidated balance sheets, statements of changes in unitsholders' equity (deficiency) and consolidated statements of cash flows of the Company for the fiscal years ended December 31, 2008 and 2009 and the notes related to the 2008 Financial Statements (collectively, the "Financial Statements") . The Financial Statements (i) were derived from and have been prepared in accordance with the underlying books and records of the Company, (ii) have been prepared in accordance with the GAAP, throughout the periods covered thereby (except that the Unaudited Interim Financial Statements (A) may not contain all footnotes required by GAAP and (B) are subject to year-end adjustments consistent with past practice and consistent in character and amount with the year-end adjustments made to the Financial Statements), and (iii) fairly and accurately present the assets, liabilities (including all reserves) and financial position of the Company as of the dates thereof and the results of operations, changes in unitholders' equity (deficiency) and changes in cash flows of the Company for the periods then ended. There were no material changes in the method of application of the Company's accounting policies or changes in the method of applying the Company's use of estimates in the preparation of the Unaudited Interim Financial Statements as compared with the Financial Statements.

(b) Section 3.03(b) of the Company Disclosure Schedules sets forth the unaudited consolidated balance sheet of the Company as of the Business Day immediately preceding the Closing Date (the "Closing Balance Sheet"). The Closing Balance Sheet (i) was derived from and is in accordance with the books and records of the Company, (ii) was prepared in accordance with GAAP (except that the Closing Balance Sheet may not contain all footnotes required by GAAP) and on a basis consistent with, and with no changes in the method of application of the Company's accounting policies, no changes in the method of applying the Company's use of estimates as compared with, and no changes regarding the recognition, classification or allocation of any deferred revenues or other line items as compared with, the Financial Statements, provided that an increase in deferred revenues or in the value of the warrant or the stock option expense as compared with the Financial Statements will not give rise to a claim by the Buyer under the Indemnification Agreement and (iii) fairly and accurately presents in all material respects the assets, liabilities (including all reserves) and financial position of the Company as of the date thereof; provided, however, no liabilities are added or reflected for the period prior to December 31, 2009.

SECTION 3.04. Undisclosed Liabilities. Except as set forth in the Financial Statements or Section 3.04 of the Company Disclosure Schedules, neither the Company nor any of its Subsidiaries has liabilities or obligations of any nature, either accrued, contingent, unasserted or otherwise (whether or not required to be reflected on a balance sheet in accordance with GAAP), and whether due or to become due.

SECTION 3.05. Absence of Certain Changes or Events. (a) Except as set forth in Section 3.05 of the Company Disclosure Schedules (i) since December 31, 2009, the Company and its Subsidiaries have conducted their business only in the ordinary course, there has not been any Material Adverse Effect, and there has not been any material loan or any mortgage, pledge, transfer of a security interest in, or lien, created by the Company or the Subsidiaries, with respect to any of its material properties or assets, except liens for taxes not yet due or payable, and (ii) since December 31, 2008 there has not been any declaration, setting aside or payment of any dividend on, or other distribution (whether in cash, units or property) in respect of, any of the Company's units or any repurchase, redemption or other acquisition by the Company of any of the Company's units or any other securities of the Company or any options, warrants, calls or rights to acquire any such units or other securities, (iii) any split, combination or reclassification of any of the Company's units or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for units or other securities of the Company, (iv) (A) (1) any grant by the Company or any of its Subsidiaries of any loan or increase in compensation, perquisites or benefits or any bonus or award opportunity or (2) any payment by the Company or any of its Subsidiaries of any bonus or award to any current or former director, officer, employee, contractor or consultant of the Company or any of its Subsidiaries (each, a "Participant"), (B) any grant by the Company or any of its Subsidiaries to any Participant of any increase in severance, change of control, retention, termination or similar compensation or benefits, (C) any entry by the Company or any of its Subsidiaries into any amendment of or modification to or agreement to amend or modify (or announcement of an intention to amend or modify) or any termination of (1) any employment, deferred compensation, severance, change of control, termination, employee benefit, loan, indemnification, retention, unit repurchase, option, restricted units, unit appreciation right, performance unit, units-based award, consulting or similar Contract between the Company or any of its Subsidiaries, on the one hand, and any Participant, on the other hand, (2) any Contract between the Company or any of its Subsidiaries, on the one hand, and any Participant, on the other hand, the benefits of which are contingent, or the terms of which are altered, upon the occurrence of a transaction involving the Company of the nature contemplated by this Agreement or (3) any trust or insurance Contract or other agreement to fund or otherwise secure payment of any compensation or benefit to be provided to any Participant (all such Contracts under this clause (C), collectively, "Benefit Agreements"), (D) any payment to any Participant of any compensation or benefit not provided for under any Benefit Plan or Benefit Agreement, other than the payment of normal cash compensation in the ordinary course of business consistent with past practice, (E) any action to accelerate, or which could reasonably be expected to result in the acceleration of, the timing of vesting or payment of any rights, compensation, benefits or funding obligations, or the making of any material determinations, under any collective bargaining agreement, Benefit Plan, Benefit Agreement or otherwise (including in connection with this Agreement and the transactions contemplated hereby), (G) any other grant by the Company of any awards or rights under any Benefit Plan or Benefit Agreement (including the grant of options, unit appreciation rights, performance units, restricted units or other unit-based awards, or the removal of existing restrictions in any Contract, Benefit Plan or Benefit Agreement or awards made thereunder), (v) any damage, destruction or loss, whether or not covered by insurance, that individually or in the aggregate has had or could reasonably be expected to have a Material Adverse Effect, (vi) any change in financial or tax accounting methods, principles or practices by the Company or any of its Subsidiaries, except insofar as may have been required by a change in GAAP or applicable Law, (vii) any material tax election or change in material tax election or any settlement or compromise of any income tax liability, (viii) any revaluation by the Company or any of its Subsidiaries of any of its assets or (ix) any licensing or other agreement with regard to the acquisition or disposition of any Intellectual Property or rights thereto, other than Office Software licenses entered into in the ordinary course of business of the Company.

(b) Since December 31, 2008, the Company and each of its Subsidiaries has continued all pricing, sales, receivables, payables or inventory production practices in accordance with GAAP and in the ordinary course of business and has not engaged in (i) any trade loading practices or any other promotional sales or discount activity with any customers or distributors with the effect of accelerating to pre-Closing periods sales to the trade or otherwise that would otherwise be expected (based on past practice) to occur in post-Closing periods, (ii) any practice which would have the effect of accelerating to pre-Closing periods collections of receivables that would otherwise be expected (based on past practice) to be made in post-Closing periods, (iii) any practice which would have the effect of postponing to post-Closing periods payments by the Company or any of its Subsidiaries that would otherwise be expected (based on past practice) to be made in pre-Closing periods or (iv) any other promotional sales, discount activity, deferred revenue activity or inventory overstocking or understocking, in each case in this clause (iv) in a manner outside the ordinary course of business or inconsistent with past practice or contrary to generally accepted industry practices.

SECTION 3.06. Litigation. There is no suit, claim, action, arbitration, investigation or proceeding ("Litigation") pending or, to the Knowledge of the Company, threatened by or against the Company or any of its Subsidiaries, nor is there any Order of any Governmental Entity or arbitrator outstanding against, or, to the Knowledge of the Company, investigation by any Governmental Entity involving, the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has commenced any Litigation since its date of incorporation or formation. Section 3.06 of the Company Disclosure Schedules sets forth a complete list of pending Litigation for which legal process has been served upon the Company or any of its Subsidiaries.

SECTION 3.07. Contracts. (a) Section 3.07(a) of the Company Disclosure Schedules sets forth (with specific reference to the subsection of this Section 3.07(a) to which it relates) each of the following Contracts to which the Company or any of its Subsidiaries is a party or bound or to which any of the Company's or any of its Subsidiaries' properties or assets are subject, and for which the Company or any of its Subsidiaries, on the one hand, or the other party to such Contract, on the other hand, has current or future rights or obligations (the "Section 3.07(a) Contracts"):

(i) each Contract made outside the ordinary course of business of the Company;

(ii) each employment Contract, each advisory Contract and each consulting Contract to which the Company or any of its Subsidiaries is a party;

(iii) (A) each employee collective bargaining agreement or other Contract with any labor union or similar organization, (B) each plan, program or Contract that provides for the payment of bonus, severance, change of control, retention, termination or similar types of compensation or benefits related to a corporate transaction involving the Company or upon the termination or resignation of any Participant and (C) each plan, program or Contract that provides for medical, life insurance or similar benefits for Participants upon their retirement from, or termination of employment with or services for, the Company or any of its Subsidiaries;

(iv) each Contract pursuant to which the Company or any of its Subsidiaries has agreed not to compete with any Person or not to engage in any activity or business, or pursuant to which any material benefit is required to be given or lost as a result of so competing or engaging;

(v) each Contract (including consulting and services agreements) which provides for "exclusivity" or any similar requirement in favor of any Person other than the Company or any of its Subsidiaries, or under which the Company or any of its Subsidiaries is restricted in any respect in the distribution, licensing, marketing, purchasing, development or manufacturing of its products or services in any jurisdiction;

(vi) each Contract with (A) the Selling Members or any of their Affiliates, (B) any other Affiliate of the Company or (C) any Participant or any current or former director, officer or employee, contractor or consultant of any Affiliate of the Company (other than employment Contracts referred to in clause (ii) above, Benefit Plans and Benefit Agreements);

(vii) each license granted by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries has agreed to refrain from granting license rights to any other Person;

(viii) each Contract for borrowed money under which the Company or any of its Subsidiaries has incurred any Indebtedness that is currently owing or given any Guarantee with respect to any Contract for borrowed money under which a third party has incurred Indebtedness that is currently owing, or any Contract pursuant to which any Person has provided a commitment to make a loan or advance to the Company or any of its Subsidiaries;

(ix) each Contract under which the Company or any of its Subsidiaries has agreed to indemnify any Person;

(x) each Contract creating or granting a Lien (including Liens upon properties acquired under conditional sales, capital leases or other title retention or security devices);

(xi) each Contract that requires consent, approval or waiver of, or notice to, a Governmental Entity or other third party in the event of or with respect to the transactions contemplated by this Agreement or the Indemnification Agreement , including in order to avoid termination of or loss of a benefit under any such Contract;

(xii) each Contract providing for future performance (other than standard prepaid maintenance) by the Company or any of its Subsidiaries in consideration of amounts in excess of $25,000 previously paid to the Company or any of its Subsidiaries, or which has resulted in or will result in deferred revenue under GAAP in excess of $25,000;

(xiii) each Contract providing for future performance by the Company or any of its Subsidiaries other than in the ordinary course of business of the Company;

(xiv) each material Contract between the Company or any of its Subsidiaries, on the one hand, and a Customer or Business Partner, on the other hand;

(xv) each material Contract containing any provisions (A) dealing with a "change of control" or similar event with respect to the Company or any of its Subsidiaries, (B) prohibiting or imposing any restrictions on the assignment of such Contract or any portion thereof by the Company to any other Person, (C) having the effect of providing that the consummation of any of the transactions contemplated by this Agreement, the Indemnification Agreement and the Escrow Agreement or compliance by the Company with the provisions of this Agreement and the Indemnification Agreement or the execution, delivery or effectiveness of this Agreement and the Indemnification Agreement will conflict with, result in a violation or breach of, or constitute a default under (with or without notice or lapse of time, or both), such Contract or give rise under such Contract to any right of, or result in, a termination, right of first refusal, amendment, revocation, cancelation or acceleration, or loss of a benefit, or the creation of any Lien in or upon any of the properties or assets of the Company or any of its Subsidiaries or the Buyer and any of its Subsidiaries, or to any increased, guaranteed, accelerated or additional rights or entitlements of any Person, or (D) having the effect of providing that the consummation of any of the transactions contemplated by this Agreement or the Indemnification Agreement will require that a third party be provided with access to source code or that any source code be released from escrow and provided to any third party. “Material” for purposes hereof shall mean any contract providing for future payment by or to the Company or any of its Subsidiaries of more than $50,000 or performance more than twelve months from the date hereof;

(xvi) each Contract providing for payments of royalties, franchise fees, commissions, other license fees or other transactional fees to third parties;

(xvii) each Contract granting a third party any license or right to Intellectual Property;

(xviii) each Contract providing for any license or franchise granted by the Company or any of its Subsidiaries pursuant to which the Company or any of its Subsidiaries has agreed to provide any third party with access to source code or to provide for source code to be put in escrow or to refrain from granting license or franchise rights to any other Person;

(xix) each Contract pursuant to which the Company or any of its Subsidiaries has been granted any license to Intellectual Property;

(xx) each Contract granting the other party to such Contract or a third party "most favored nation" or similar status;

(xxi) each Contract that expressly guarantees or expressly warrants that any of the products or services of the Company or any of its Subsidiaries is fit for any particular purpose or that expressly guarantees a result or expressly commits to performance levels; each Contract containing any "non-solicitation" provision with respect to employees or customers of a third party that restricts the Company or any of its Subsidiaries in any material respect;

(xxii) each Contract providing for monetary liquidated damages;

(xxiii) each Contract entered into by the Company or any of its Subsidiaries since its incorporation or formation in connection with the settlement or other resolution of any Litigation;

(xxiv) each Contract that requires future payment by or to the Company or any of its Subsidiaries of more than $100,000 entered into between the Company or any of its Subsidiaries, on one hand, and (A) any customer of the Company or any of its Subsidiaries (the "Customers"), (B) any vendor or supplier of the Company or any of its Subsidiaries (the "Vendors") or (C) any business partner of the Company or any of its Subsidiaries (the "Business Partners"), on the other hand;

(xxv) each Contract providing confidential treatment by the Company or any of its Subsidiaries of third-party information which contains restrictions on the Company's, any of its Subsidiaries', or any Participant's, use of such third-party information;

(xxvi) each Contract with a Customer or Business Partner not containing a waiver of incidental, consequential, punitive, indirect and special damages in favor of the Company or any of its Subsidiaries (and, in each case, its assignees) in all circumstances;

(xxvii) each Contract with any independent contractor of the Company or any of its Subsidiaries;

(xxviii) each Contract which has future sums due from, or provides for future performance by, any party thereto and is not terminable by the Company without cost or penalty upon notice of less than thirty days other than any such Contract entailing reasonably expected future amounts less than $100,000 in the aggregate; and

(xxix) each Contract which materially affects the business of the Company.

Each Section 3.07(a) Contract is in full force and effect and is a valid and binding agreement of the Company or a Subsidiary thereof and, to the Knowledge of the Company, of each other party thereto, enforceable against the Company or the applicable Subsidiary thereof and, to the Knowledge of the Company, against the other party or parties thereto, in each case, in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other similar Laws now or hereafter in effect relating to creditor's rights generally, and general equitable principles (regardless of whether enforcement is considered in equity or at law). The Company and each Subsidiary thereof have performed or are performing all material obligations required to be performed by them under each Section 3.07(a) Contract and are not (with or without notice or lapse of time or both) in material default or material breach thereunder, and, to the Knowledge of the Company, no other party to any of the Section 3.07(a) Contracts is (with or without notice or lapse of time, or both) in material default or material breach thereunder. To the Knowledge of the Company, there are no circumstances that are reasonably likely to occur that could reasonably be expected to adversely affect its or any of its Subsidiaries' ability to perform its obligations under any Section 3.07(a) Contract.

(b) The Company has delivered or made available to the Buyer complete and correct copies of all Section 3.07(a) Contracts at least 5 Business Days prior to the execution of this Agreement, and no Section 3.07(a) Contract has been modified, rescinded or terminated since such delivery or availability. The Company has disclosed to the Buyer the substantial terms and status of all current negotiations in respect of any proposed material Contracts with any Customer, Vendor or Business Partner. Since December 31, 2009, none of the Customers, Vendors or Business Partners has terminated or failed to renew, or requested in writing or, to the Knowledge of the Company, orally, any material and adverse amendment to any Section 3.07(a) Contract or any of its existing relationships with the Company or any of its Subsidiaries.

(c) Each Contract between the Company or a Subsidiary thereof, on the one hand, and any Affiliate of the Company, on the other hand, was entered into in the ordinary course of business of the Company or the Subsidiary and is on an arm's-length basis.

(d) Each Contract providing for payments of or rights to receive (i) a percentage of revenue or fees from the sale or license of the products or services of the Company or any of its Subsidiaries (other than Contracts with Participants, distributors or resellers otherwise disclosed in the Company Disclosure Schedules) or (ii) any form of equity or option or warrant from the sale or license of the products or services of the Company or any of its Subsidiaries, that existed between the Company, on the one hand, and any Person who is not an employee of the Company, on the other hand, has been terminated and any liability for such termination has been set forth on the Closing Balance Sheet.

SECTION 3.08. Compliance with Laws; FCC. (a) The Company, its Subsidiaries and their respective properties, assets, businesses and operations have been and are being operated and have been and are in compliance in all material respects with all Laws and Orders applicable to their properties, assets, businesses or operations. Neither the Company nor any of its Subsidiaries has received a written or, to the Knowledge of the Company, oral notice or other communication alleging a possible violation of any Law or Order applicable to its properties, assets, businesses or operations and, to the Knowledge of the Company, no such notice, communication or allegation has been threatened. The Company and each of its Subsidiaries have in effect all governmental consents, approvals, Orders, authorizations, certificates, filings, notices, permits, concessions, franchises, licenses and rights (including, without limitation, as required under any applicable U.S. export control regulations and with respect to sales and marketing in China) (collectively "Permits") necessary for the Company and any of its Subsidiaries to own, lease or operate its properties and assets and to carry on their respective businesses as presently conducted, and there has occurred no material violation of, or default (with or without notice or lapse of time, or both) under, any such Permit. Subject to the governmental filings, approvals and other matters referred to in Section 3.02(d), there is no event which, to the Knowledge of the Company, could reasonably be expected to result in the revocation, cancelation, non-renewal or adverse modification of any such Permit and the Transaction, in and of itself, and the other transactions contemplated by this Agreement and the Indemnification Agreement will not cause the revocation, cancelation, non-renewal or adverse modification of any such Permit. Subject to the governmental filings, approvals and other matters referred to in Section 3.02(d), to the Knowledge of the Company, there are no past or present events, conditions, circumstances, activities, practices, incidents, actions or plans that could reasonably be expected to (i) interfere with or prevent compliance or continued compliance by the Company or any of its Subsidiaries with any import/export Laws governing the Company's or any of its Subsidiaries' operations as presently conducted or with any Law, Order, notice or demand letter issued, entered, promulgated or approved thereunder, (ii) give rise to any liability of the Company or any of its Subsidiaries under any import/export Law governing the Company's or any of its Subsidiaries' past operations or its operations as presently conducted and as currently proposed to be conducted or (iii) otherwise form a valid basis of any Litigation based on or related to import or export of goods or services (including any basis relating to the encryption of the Company's or any of its Subsidiaries' products). Neither the Company nor RAS Israel has received from any agency of the United States Government any information classified under Executive Order 12958, as amended, under any contract between the Company or RAS Israel and any agency of the United States Government that is currently in effect or was in effect within the past five years.

(b) The FCC licenses identified in Section 3.08(b) of the Company Disclosure Schedules (the "FCC Licenses") are currently in full force and effect. The FCC Licenses are not subject to any conditions other than conditions that appear on the face of such FCC License or that are set forth in the Communications Laws that are applicable to licenses of such type. To the Knowledge of the Company, no event has occurred which (whether with or without notice, lapse of time or the happening or occurrence of any other event) is reasonably likely to result in the revocation or termination of any FCC License or the imposition of any material restriction on the operations authorized by any FCC License, except for proceedings of a legislative or rulemaking nature.

SECTION 3.09. Absence of Changes in Benefit Plans; Employment Agreements. (a) Except as set forth in Section 3.09 of the Company Disclosure Schedules, since December 31, 2009, neither the Company nor any Subsidiary thereof has terminated, established, adopted, amended, modified or agreed to terminate, establish, adopt, amend or modify (or announced an intention to terminate, establish, adopt, amend or modify) any collective bargaining agreement or any employment, bonus, pension, profit-sharing, deferred compensation, incentive compensation, equity compensation, units (or shares) ownership, units (or shares) appreciation, restricted units (or shares), option, phantom share, performance, retirement, thrift, savings, share capital bonus, cafeteria, paid time off, perquisite, fringe benefit, vacation, unemployment insurance, severance, change of control, termination, retention, disability, death benefit, hospitalization, medical or other welfare benefit or other compensation or employee benefit plan, program, policy, arrangement or understanding, whether oral or written, formal or informal, funded or unfunded (whether or not legally binding), sponsored, maintained, contributed to, or required to be sponsored, maintained or contributed to by the Company, any Subsidiary thereof or any other Person or entity that, together with the Company or any Subsidiary thereof, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code or any comparable foreign law (each, a "Commonly Controlled Entity"), in each case providing benefits to any Participant and whether or not legally binding (all such plans, programs, policies, arrangements and understandings, and any such plans, programs, policies, arrangements and understandings that are entered into after the date of this Agreement, collectively, "Benefit Plans"), or has made any change in any actuarial or other assumption used to calculate funding obligations with respect to any Benefit Plan that is a Pension Plan, or any change in the manner in which contributions to any such Pension Plan are made or the basis on which such contributions are determined.

(b) To the Best Knowledge of the Company, no Participant is a party to or bound by any Contract, is subject to any Order or is a party to any Litigation, in each case, that may interfere with the use of such Participant's best efforts to promote the interests of the Company or any of its Subsidiaries, conflict with the operations or business of the Company or any of its Subsidiaries (as presently conducted or the transactions contemplated by this Agreement and the Indemnification Agreement or could reasonably be expected to adversely affect the Company or any of its Subsidiaries. No activity of any Participant as or while a Participant has caused, nor has any relationship between any Participant and the Company or any of its Subsidiaries caused, a violation of any employment Contract, confidentiality agreement, patent disclosure agreement or other Contract.

(c) All Participants have executed and delivered to the Company a confidential information and assignment agreement in substantially the form set forth in Section 3.09(c) of the Company Disclosure Schedules. No alteration or modification was made by any party to any of the confidential information and assignment agreements referred to above from the form of such agreements set forth in Section 3.09(c) of the Company Disclosure Schedules, and each such agreement is in full force and effect. No director, officer, employee, contractor or consultant associated with any Person who has contributed to, or participated in, the conception and development of Intellectual Property for the Company or any of its Subsidiaries has asserted or threatened in writing or, to the Knowledge of the Company, orally, any claim against the Company or any of its Subsidiaries in connection with such Person's involvement in the conception and development of such Intellectual Property and, to the Knowledge of the Company, no such Person has a reasonable basis for any such claim.

(d) No Participant has any patents issued or applications pending for any device, process, method, design or invention of any kind now used or needed by the Company or any of its Subsidiaries in the furtherance of its business operations as presently conducted, which patents or applications have not been duly and fully assigned to the Company or any of its Subsidiaries, with such assignment having been duly filed with and recorded with the relevant Governmental Entity, as required in order to perfect such assignment.

SECTION 3.10. Environmental Matters. (a) The Company and each of its Subsidiaries is, and has been, in material compliance with all Environmental Laws, and neither the Company, nor any of its Subsidiaries, has received any (i) written communication alleging that the Company or any of its Subsidiaries is in violation of, or may have liability under, any Environmental Law or (ii) currently outstanding written request by any Governmental Entity for information pursuant to any Environmental Law; (b) (i) the Company and each of its Subsidiaries possesses and is in material compliance with all Permits required under Environmental Laws ("Environmental Permits") for the conduct of its operations, (ii) all such Environmental Permits are valid and in good standing and (iii) neither the Company nor any of its Subsidiaries has been advised in writing by any Governmental Entity of any actual or potential change in the status or terms and conditions of any such Environmental Permit; (c) there are no Environmental Claims pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries; (d) there has been no Release of, or exposure to, any Hazardous Material that could reasonably be expected to form the basis of any Environmental Claim against the Company or any of its Subsidiaries or against any Person whose liabilities for such Environmental Claims the Company or any of its Subsidiaries has, or may have, retained or assumed, either contractually or by operation of Law; (e) neither the Company nor any of its Subsidiaries has retained or assumed, either contractually or by operation of Law, any liabilities or obligations that could reasonably be expected to form the basis of any Environmental Claim against the Company or any of its Subsidiaries; (f) there are no past or present events, conditions, circumstances, activities, practices, incidents, actions or plans that could reasonably be expected to form the basis of an Environmental Claim against the Company or any of its Subsidiaries; (g) neither the Company nor any of its Subsidiaries stores, generates or disposes of Hazardous Materials (excluding office and cleaning supplies used in the ordinary course of the Company's or the applicable Subsidiary's operations) at, on, under, about or from property owned or leased by the Company or any of its Subsidiaries; and (h) there are no underground or aboveground storage tanks, generators or known or suspected asbestos-containing materials on, at, under or about any property owned, operated or leased by the Company or any of its Subsidiaries, nor, to the Knowledge of the Company, were there any underground storage tanks on, at, under or about any such property in the past.

For all purposes of this Agreement, (i) "Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, Orders, demands, directives, claims, Liens, investigations, proceedings or written or oral notices of noncompliance or violation by or from any Person alleging liability of any kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resource damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from (A) the presence or Release of, or exposure to, any Hazardous Material at any location, or (B) the failure to comply with any Environmental Law; (ii) "Environmental Law" means any U.S. and/or Israeli Law, Permit, Order or legally binding agreement issued, promulgated or entered into by or with any Governmental Entity relating to pollution, radiation, the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), natural resources, the climate, human health and safety or the protection of endangered or threatened species; (iii) "Hazardous Materials" means any petroleum or petroleum products, radioactive materials or wastes, asbestos in any form, polychlorinated biphenyls and any other chemical, material, substance or waste that is prohibited, limited or regulated under any Environmental Law; and (iv) "Release" means any actual or threatened release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment or within any building, structure, facility or fixture.

SECTION 3.11. Employee Benefits Matters. (a) Section 3.11(a) of the Company Disclosure Schedules contains a complete and correct list of all Benefit Plans and all Benefit Agreements (a "Pension Plan"). The Company has delivered to the Buyer complete and correct copies of (i) each Benefit Plan and each Benefit Agreement (or, in the case of any unwritten Benefit Plans or Benefit Agreements, written descriptions thereof), including any amendments thereto, (ii) the two most recent annual reports required to be filed, or such similar reports, statements, information returns or material correspondence required to be filed with or delivered to any Governmental Entity, if any, with respect to each Benefit Plan, (iii) the most recent summary plan description (if any), and any summary of material modifications, prepared for each Benefit Plan, (iv) each trust agreement and group annuity or insurance Contract and other documents relating to the funding or payment of benefits under any Benefit Plan or Benefit Agreement, (v) the most recent determination, qualification or opinion letter or similar document issued by any Governmental Entity for each Benefit Plan intended to qualify for favorable tax treatment and any pending application therefor and a complete and accurate list of all amendments to any such Benefit Plans as to which a favorable determination or qualification letter has not yet been received and (vi) the two most recent actuarial valuations for each Benefit Plan (if any). All Participant data necessary to administer each Benefit Plan and Benefit Agreement is in the possession of the Company or the applicable Subsidiary thereof and is in a form that is sufficient for the proper administration of the Benefit Plans and Benefit Agreements in accordance with their terms and all applicable Laws and such data is complete and correct in all material respects. Each Benefit Plan and Benefit Agreement have been administered by the Company or its applicable Subsidiary in compliance in all material respects with their terms. The Company, each Subsidiary thereof, each Benefit Plan and each Benefit Agreement are in compliance in all material respects with all applicable provisions of any applicable Laws, whether domestic or foreign, and the terms of all collective bargaining agreements. Each Benefit Plan required to have been approved by any non-U.S. Governmental Entity (or permitted to have been approved to obtain any beneficial tax or other status) has been so approved or timely submitted for approval; no such approval has been revoked (nor, to the Knowledge of the Company, has revocation been threatened) and no event has occurred since the date of the most recent approval or application therefor that is reasonably likely to affect any such approval or increase the costs relating thereto.

(b) With respect to each Benefit Plan or Benefit Agreement that is an employee welfare benefit plan (each, a "Welfare Plan"), there are no understandings, agreements or undertakings, written or oral, that would prevent any such plan (including any such plan covering retirees or other former Participants) from being amended or terminated without liability to the Company or any Subsidiary thereof at or at any time after the Closing, other than routine administrative costs and expenses. No Welfare Plan provides benefits after termination of employment except where benefits are provided through the end of the month in which such termination occurs or where the cost thereof is borne entirely by the former employee (or his or her eligible dependents or beneficiaries) or as required by any applicable Law. The Company and each Subsidiary thereof have complied in all material respects with the requirements of any applicable Law with respect to each Benefit Plan that is a "group health plan".

(c) All reports, returns and similar documents with respect to all Benefit Plans required to be filed with any Governmental Entity or distributed to any Benefit Plan participant have been duly and timely filed or distributed. Neither the Company nor any Subsidiary thereof has received notice of any and, to the Knowledge of the Company, there are no pending investigations by any Governmental Entity with respect to, or pending termination proceedings or other claims (except claims for benefits payable in the normal operation of the Benefit Plans or Benefit Agreements) or Litigation against, or involving or asserting any rights or claims to benefits under, any Benefit Plan or Benefit Agreement.

(d) All contributions, premiums and benefit payments under or in connection with each Benefit Plan that are required to have been made by the Company or any Subsidiary thereof in accordance with the terms of such Benefit Plan and applicable Laws have been timely made. No Benefit Plan, or any insurance Contract related thereto, requires or permits a retroactive increase in premiums or payments on termination of such Benefit Plan or such insurance Contract. Neither the Company nor any Subsidiary has incurred any unfunded liabilities in relation to any Benefit Plan or Benefit Agreement, and for any Benefit Plan or Benefit Agreement for which funding is not required, all unfunded liabilities have been properly accrued on the 2009 Financial Statements in accordance with GAAP.

(e) With respect to each Benefit Plan, (i) there has not occurred any prohibited transaction in which the Company, any Subsidiary thereof or any of their respective employees or any trustee, administrator or other fiduciary of any such Benefit Plan (or any related trust), has engaged that could subject the Company, a Subsidiary thereof or any such employees, or, to the Knowledge of the Company, any such trustee, administrator or other fiduciary to the tax or penalty on prohibited transactions imposed by any applicable Law, and (ii) none of the Company, a Subsidiary thereof or any of their respective employees or any trustee, administrator or other fiduciary of such Benefit Plan (or any related trust) or, to the Knowledge of the Company, any agent of any of the foregoing has engaged in any transaction or acted in a manner that could, or failed to act so as to, subject the Company, a Subsidiary thereof or any such employees or any such trustee, administrator or other fiduciary to any liability for breach of fiduciary duty under any applicable Law. No Benefit Plan or related trust has been terminated.

(f) Neither the Company nor any Subsidiary thereof has any liability or obligation, including under or on account of a Benefit Plan or Benefit Agreement, arising out of the misclassification of Persons hired to provide services to the Company or a Subsidiary thereof and treated as consultants or independent contractors and not as employees of the Company or the applicable Subsidiary thereof. Except for the Persons listed in Section 3.11(f)(i) of the Company Disclosure Schedules, there are no independent contractors of the Company or any Subsidiary thereof, and all Persons so listed qualify as independent contractors under applicable Law. Except for the Persons listed in Section 3.11(f)(ii) of the Company Disclosure Schedules, there are no "leased employees" of the Company or any Subsidiary thereof.

(g) None of the employees of the Company or any Subsidiary thereof is a member of, represented by or otherwise subject to any (i) labor union, works council or similar organization or (ii) collective bargaining agreement, industry-wide collective bargaining agreement or any similar collective agreement, in each case with respect to such employee's employment by the Company or such Subsidiary, and neither the Company nor any Subsidiary thereof has any obligation (including to inform or consult with any such employees or their representatives in respect of the transactions contemplated by this Agreement or the Indemnification Agreement) with respect to any such organization or agreement. The Company and each Subsidiary thereof are in compliance in all material respects with all applicable Laws and Orders with respect to labor relations, employment and employment practices, occupational safety and health standards, terms and conditions of employment, payment of wages, classification of employees, immigration, visa, work status, human rights, pay equity and workers' compensation, and are not engaged in any unfair labor practice. The employment of each former employee of the Company and each Subsidiary thereof was terminated in accordance in all material respects with all applicable Laws, and neither the Company nor any Subsidiary thereof has, nor could any of them be expected to have, any liability with respect to any such former employees or any such termination of employment. Since the date of its incorporation or organization, neither the Company nor any Subsidiary thereof has engaged in any act or omission constitutes discrimination or harassment based on age, sex, religion or race. There is no unfair labor practice charge or complaint against the Company or any Subsidiary thereof pending or, to the Knowledge of the Company, threatened before the National Labor Relations Board or any comparable Governmental Entity. Since the date of its incorporation or organization, there has been no, and there currently is no, labor strike, dispute, request for representation, union organization attempt, walkout, slowdown or stoppage actually pending or, to the Knowledge of the Company, threatened against or affecting the Company or any Subsidiary thereof. No question concerning representation has been raised or, to the Knowledge of the Company, is threatened respecting the employees of the Company or any Subsidiary thereof. No grievance or arbitration proceeding arising out of a collective bargaining agreement is pending or, to the Knowledge of the Company, threatened against the Company or any Subsidiary thereof.

(h) The Company has delivered to the Buyer a complete and correct list, as of the date of this Agreement, of all current employees of the Company and each Subsidiary thereof, including their respective titles, current base salary or wage rate, current target bonus, start date, service reference date (if different from the start date), date of birth, work location, vacation entitlement formula, amount of accrued but unused vacation, and whether or not any such employee is on leave of absence. Section 3.11(h) of the Company Disclosure Schedules sets forth a complete and correct list of all current non-employee directors of the Company and each Subsidiary thereof, including their respective titles.

(i) Section 3.11(i) of the Company Disclosure Schedules identifies each severance, termination, change of control or similar agreement or bonus arrangement or other employment Contract between the Company or any Subsidiary thereof and any Participant under which a Participant has a right or entitlement to (A) severance, termination, change of control or similar benefits or the payment of any bonus under existing Benefit Agreements, Benefit Plans, Contracts with, or plans or programs of, the Company or its Affiliates or (B) any other payment or benefit, in each case that is related to, or contingent upon, the consummation of a transaction involving a change of control or change of management or reorganization, including, without limitation, the forgiveness of Indebtedness owed by such Participant.

(j) Except as set forth in Section 3.11(j) of the Company Disclosure Schedules, no Participant will be entitled to (i)(A) any severance, separation, change of control, termination, bonus, retention or other additional compensation or benefits, or (B) any acceleration of the time of payment or vesting of any compensation or benefits, including the forgiveness of Indebtedness owed by such Participant, in the case of the foregoing clauses (A) and (B), as a result of any of the transactions contemplated by this Agreement or the Indemnification Agreement except as provided in any offer letter that the Buyer enters into with a Participant; provided, however, that any such additional compensation or benefits set forth on Section 3.11(j) of the Company Disclosure Schedules shall be fully paid out of the Total Consideration as set forth in Section 2.02(b)(ii), including any Tax Withholding. The execution and delivery of this Agreement and the Indemnification Agreement and the consummation of the transactions contemplated hereby and thereby and compliance by the Company with the provisions hereof and thereof do not and will not require the funding (whether through a grantor trust or otherwise) of, or increase the cost of, or give rise to any other obligation under, any Benefit Plan, Benefit Agreement or any other employment arrangement with a Participant and will not result in any breach or violation of, or default under, or limit the Company's or any Subsidiary thereof's ability to amend, modify or terminate, any Benefit Plan or Benefit Agreement, other than as provided in any offer letter that the Buyer enters into with a Participant.

SECTION 3.12. Taxes. (a) As used in this Agreement, (i) "taxes" means all (A) federal, state and local, domestic and foreign, taxes, assessments, duties or similar charges of any kind whatsoever, including all corporate franchise, income, sales, use, ad valorem, receipts, value added, profits, license, withholding, employment, excise, property, net worth, capital gains, transfer, stamp, documentary, social security, payroll, environmental, alternative minimum, occupation, recapture and other taxes, and including any interest, penalties and additions imposed with respect to such amounts; (B) liability for the payment of any amounts of the type described in clause (A) as a result of being a member of an affiliated, consolidated, combined, unitary or aggregate group; (C) liability for the payment of any amounts as a result of an express or implied obligation to indemnify any other Person with respect to the payment of any amounts of the type described in clause (A) or (B); and (D) liability for the payment of any amounts as a result of transferee or successor liability with respect to the payment of any amounts of the type described in clause (A), (B) or (C); (ii) "taxing authority" means any federal, state or local, domestic or foreign, governmental body (including any subdivision, agency or commission thereof), or any quasi-governmental body, in each case, exercising regulatory authority in respect of taxes; and (iii) "tax return" means all returns, declarations of estimated tax payments, reports, estimates, information returns and statements, including any related or supporting information with respect to any of the foregoing, filed or to be filed with any taxing authority in connection with the determination, assessment, collection or administration of any taxes (including any statement pursuant to Treasury Regulation Section 1.6011-4, or any similar provision of federal, state or local, domestic or foreign, Law).

(b) Except as set forth in Section 3.12(b) of the Company Disclosure Schedules, the Company and each of its Subsidiaries has timely filed all federal, state and local, domestic and foreign, income and franchise tax returns and all other tax returns required to be filed in the manner prescribed by applicable Law. All such tax returns are complete and correct in all material respects. The Company and each of its Subsidiaries has timely paid material all material taxes due from it or them with respect to the taxable periods covered by such tax returns and all other material taxes for which the Company or any of its Subsidiaries is or might otherwise be liable, and, in accordance with GAAP, the Closing Balance Sheet reflects an adequate reserve for all taxes payable by the Company or any of its Subsidiaries for all taxable periods and portions thereof through the date of such balance sheet. Neither the Company nor any of its Subsidiaries has requested any extension of time within which to file any tax return which tax return has not yet been filed. Neither the Company nor any of its Subsidiaries has liability for any taxes of any Person other than itself (i) under Treasury Regulation Section 1.1502-6 (or any similar provision of federal, state or local, domestic or foreign, Law), (ii) as a transferee or successor or (iii) by Contract or otherwise. Neither the Company nor any of its Subsidiaries has filed any tax return as part of any consolidated, combined, Affiliated, aggregate or unitary group (other than a group of which the Company is the common parent corporation).

(c) No tax return of the Company or any of its Subsidiaries is or has ever been under, or has been threatened with, audit or examination by any taxing authority, and no written or unwritten notice of such an audit or examination has been received by the Company or any of its Subsidiaries. Each deficiency resulting from any audit or examination relating to taxes by any taxing authority has been timely paid and there is no deficiency, refund litigation, proposed adjustment or matter in controversy with respect to any taxes due and owing by the Company or any of its Subsidiaries. No material issues relating to taxes were raised by the relevant taxing authority during any presently pending audit or examination, and no material issues relating to taxes were raised by the relevant taxing authority in any completed audit or examination that could reasonably be expected to recur in a later taxable period. Section 3.12(c) of the Company Disclosure Schedules sets forth the dates of the most recent audits or examinations, if any, of the Company and each of its Subsidiaries by any taxing authority in respect of federal, state and local, domestic and foreign, taxes for all taxable periods for which the statute of limitations has not yet expired.

(d) There is no Contract or other document extending, or having the effect of extending, the period of assessment or collection of any taxes, and no power of attorney with respect to any taxes has been executed or filed with any taxing authority by or on behalf of the Company or any of its Subsidiaries.

(e) No Liens for taxes exist with respect to any assets or properties of the Company or any of its Subsidiaries, except for statutory Liens for taxes not yet due.

(f) Neither the Company nor any of its Subsidiaries is a party to, bound by, or currently has any liability under, any tax sharing agreement, tax indemnity obligation or similar agreement, arrangement or practice with respect to taxes (including any advance pricing agreement, closing agreement or other agreement relating to taxes with any taxing authority).

(g) Neither the Company nor any Subsidiary thereof will be required to include in a taxable period ending after the Closing Date taxable income attributable to income that accrued in a taxable period prior to the Closing Date but was not recognized in such prior taxable period as a result of the installment method of accounting, the completed contract method of accounting, the long-term contract method of accounting, the cash method of accounting or Section 481 of the Code or any comparable provision of state or local, domestic or foreign, tax Law or, to the Knowledge of the Company, for any other reason (including as a result of prepaid amounts or deferred revenue received on or prior to the Closing Date).

(h) The Company and each of its Subsidiaries has complied in all material respects with all applicable Laws relating to the collection, payment and withholding of taxes, including, without limitation, value added taxes, and has, within the time and the manner prescribed by Law, collected, withheld from and paid over to the proper Governmental Entities all amounts required to be so collected, withheld and paid under applicable Laws.

(i) Neither the Company nor any of its Subsidiaries has been, and none of them is, a United States real property holding corporation.

(j) Section 3.12(j) of the Company Disclosure Schedules sets forth the following information with respect to the Company and each of its Subsidiaries as of the most recent practicable date: (i) the tax bases of each of the Company and each of its Subsidiaries in its assets (including any intangible assets) and (ii) a list of all tax audits or examinations that are ongoing or, to the Knowledge of the Company, threatened by any taxing authority and an estimate of the amount of taxes at issue in each such audit or examination.

(k) The Company has delivered to the Buyer (i) complete and correct copies of all material tax returns of the Company and each of its Subsidiaries relating to taxes for all taxable periods for which the applicable statute of limitations has not yet expired and (ii) complete and correct copies of all tax rulings (including private letter rulings), revenue agent reports, information document requests, notices of proposed deficiencies, deficiency notices, protests, petitions, closing agreements, settlement agreements, pending ruling requests, transfer pricing studies, valuation studies and any similar documents submitted by, received by or agreed to by or on behalf of the Company or any of its Subsidiaries, and relating to taxes for all taxable periods for which the statute of limitations has not yet expired.

(l) Neither the Company nor any of its Subsidiaries has ever been a personal holding company within the meaning of Section 542 of the Code or a foreign personal holding company within the meaning of Section 552 of the Code or any comparable provisions of any tax Law.

(m) The Company and each of its Subsidiaries has withheld and paid all material taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, former employee, creditor, independent contractor, unitholder, shareholder, Affiliate, customer, supplier or third party.

(n) All related party transactions involving the Company or any Subsidiary thereof are at arm's length in compliance with Section 482 of the Code and the Treasury Regulations promulgated thereunder or any comparable provision of any tax Law. Neither the Company nor any of its Subsidiaries is a party to any cost-sharing agreement or similar arrangement that is not a "qualified cost sharing arrangement" within the meaning of Treasury Regulation Section 1.482-7 or any comparable provision of any federal, state, local, domestic or foreign tax Law. All intercompany payments to which the Company or a Subsidiary thereof is a party have been calculated in accordance with Treasury Regulation Section 1.482-7 or any comparable provision of federal, state, local, domestic or foreign tax Law. The Company and each of its Subsidiaries has maintained documentation (including any applicable transfer pricing studies) in connection with such related party transactions in accordance with Sections 482 and 6662 of the Code and the Treasury Regulations promulgated thereunder or any comparable provision of any tax Law.

(o) The Company and each of its Subsidiaries has conducted all aspects of their business in accordance with the material terms and conditions of all tax rulings and tax concessions that were provided by any relevant taxing authority, copies of all of which have been provided to the Buyer.

SECTION 3.13. Title to Properties. (a) The Company and each of its Subsidiaries has good and marketable title to, or valid leasehold interests in, all of its properties and assets, Free and Clear, except for such Permitted Encumbrances and nonmaterial properties and assets as are no longer used or useful in the conduct of its businesses and except for minor defects in title, easements, permits, restrictive covenants and any similar encumbrances that individually or in the aggregate could not reasonably be expected to materially affect the ability of the Company or any of its Subsidiaries to use such property or asset in the conduct of its businesses. This Section 3.13(a) does not relate to Intellectual Property or rights thereto, which are the subject of Section 3.14.

(b) The Company and each of its Subsidiaries has complied in all material respects with the terms of all leases of real property to which it is a party under which it is in occupancy, and all such leases are in full force and effect. The Company and each of its Subsidiaries enjoy peaceful and undisturbed possession under all such leases.

(c) Neither the Company nor any of its Subsidiaries holds any fee or other ownership interest in any real property. Section 3.13(c) of the Company Disclosure Schedules sets forth a complete and correct list of all real property in which the Company or any of its Subsidiaries holds any leasehold interest, which list also sets forth the date of the lease, sublease, license or other occupancy agreement constituting a particular leasehold interest, and the date of any amendments and supplements thereto (collectively, a "Real Property Lease"), as well as the names of the parties thereto, a brief description of the premises demised thereby (e.g., the entire building or land and building or specified portions of a building), the square footage thereof, the expiration date of the Real Property Lease and the extent of any unexercised renewal options thereunder. Complete and correct copies of each Real Property Lease have been delivered to Buyer. Each Real Property Lease is in full force and effect and none of the Company or any of the other parties to such Real Property Lease has received or given any notice of default thereunder which was not cured within the applicable grace period or any notice of termination thereof, and, to the Knowledge of the Company, no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a default under any Real Property Lease.

(d) Except for the Real Property Leases or as set forth in Section 3.13(d) of the Company Disclosure Schedules, the Company or any of its Subsidiaries does not occupy, is not legally obligated for, has no interest in, and does not otherwise use, any land, buildings, locations or offices, nor has any rights or obligations to acquire such interests, and the Company or any of its Subsidiaries has no liability (either existing or contingent) in respect of any land, building, location or office previously owned, occupied or otherwise used by it, or in which it had any such interest.

(e) Except at set forth on Section 3.13(e) of the Company Disclosure Schedules, the assets, properties and rights owned or licensed by the Company or any of its Subsidiaries, including the Contracts to which the Company or any of its Subsidiaries is a party, comprise all the assets, properties and rights utilized by the Company or any of its Subsidiaries in the operation of its businesses as presently conducted, and are sufficient to permit the Company and any of its Subsidiaries to operate its business as presently conducted. The physical assets and properties of the Company and any of its Subsidiaries are in good working order, and have been maintained in accordance with prudent industry practice, ordinary wear and tear and obsolescence excepted.

(f) The Company or any of its Subsidiaries does not hold any fee or other ownership interest in any real property.

SECTION 3.14. Intellectual Property. (a) Section 3.14(a) of the Company Disclosure Schedules lists all patents, filed patent applications, written invention disclosures, trademarks, trademark applications, tradenames, service marks, service mark applications, domain names, registered copyrights and mask work rights and applications therefor owned by or licensed to the Company or any of its Subsidiaries. The Company has delivered to Buyer complete and correct copies of, and Section 3.14(a) of the Company Disclosure Schedules lists, all agreements pursuant to which Intellectual Property is licensed to or by the Company or any of its Subsidiaries (other than (i) agreements between the Company or any of its Subsidiaries, on one hand, and their respective employees or contractors, on the other hand, in the Company's or its applicable Subsidiary's standard form thereof, or (ii) non-exclusive licenses for generally available off-the-shelf office software or system development tools ("Office Software"). To the Knowledge of the Company, the conduct of the respective businesses of the Company and its Subsidiaries as presently conducted does not conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or give rise to any right, license or encumbrance relating to, any Intellectual Property owned by the Company or any of its Subsidiaries or with respect to which the Company or any of its Subsidiaries has any Contract providing for current or future rights or obligations between the Company or any of its Subsidiaries and any third party, or give rise to any right of termination, cancelation or acceleration of any right or obligation in respect of Intellectual Property set forth in any Contract to which the Company or any of its Subsidiaries is a party or to which any of its properties or assets is subject, or the loss or encumbrance of any Intellectual Property or any benefit related thereto, or result in the creation of any Lien in or upon any Intellectual Property or right in respect of Intellectual Property, in each case owned by or licensed to the Company or any of its Subsidiaries.

(b) The Company and each of its Subsidiaries, owns, is licensed or otherwise has the right to use (in each case, without payments to third parties (including the Selling Members and the RAS Inc. Principals) and Free and Clear, including Liens held by or for any Governmental Entity or a Selling Member or the RAS Inc. Principals) but excluding Permitted Encumbrances, all Intellectual Property used in or necessary to carry on their respective businesses as presently conducted.

(c) All patents, filed patent applications, registered trademarks, filed trademark applications, registered domain names, registered tradenames, registered service marks, registered mask works and registered copyrights of the Company or any of its Subsidiaries have been filed with or issued by each appropriate Governmental Entity indicated in Section 3.14(c) of the Company Disclosure Schedules, all necessary affidavits of continuing use have been filed and all necessary maintenance fees have been paid to continue all such registrations in effect until at least 30 days following the Closing Date.

(d) The Company has not Knowingly, and, to the Best Knowledge of the Company, none of its Subsidiaries or any of their products or services or any open source code or third-party code as contained in, incorporated into, bundled with or used by such products or services has infringed upon or otherwise violated, or is infringing upon or otherwise violating, the rights of any Person with regard to any Intellectual Property owned by, licensed to or otherwise used by, such Person.

(e) There is no Litigation pending or, to the Knowledge of the Company, threatened in writing with respect to, and neither the Company nor any of its Subsidiaries has been notified of, any possible infringement or other violation by the Company or any of its Subsidiaries of the rights of any Person with regard to any Intellectual Property of such Person.

(f) To the Knowledge of the Company, no Person is infringing on or otherwise violating any right of the Company or of any of its Subsidiaries with respect to any Intellectual Property owned by or licensed to the Company or any of its Subsidiaries.

(g) Each Participant has assigned or otherwise transferred to the Company all ownership and other rights of any nature whatsoever of such Participant in any Intellectual Property owned or claimed to be owned by the Company or any of its Subsidiaries and no current Participant or, to the Knowledge of the Company, former Participant has a valid claim against the Company or any of its Subsidiaries in connection with the involvement of such Persons in the conception and development of any computer software or other Intellectual Property claimed to be owned by the Company or any of its Subsidiaries, and no such claim has been asserted or threatened against the Company or any of its Subsidiaries in writing or, to the Knowledge of the Company, orally.

(h) The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement and compliance, Through the Closing (as defined above), with the provisions of this Agreement do not and will not conflict with, or result in any violation or breach of, or default under (with or without notice or lapse of time, or both), or give rise to a right of, or result in, termination, cancelation or acceleration of any right or obligation in respect of Intellectual Property set forth in any Contract to which the Company or any of its Subsidiaries is a party or to which any of its properties or assets is subject, or to a loss of a benefit related to any such right or obligation in respect of Intellectual Property, or result in the creation of any Lien in or upon, any Intellectual Property related thereto, or give rise to any increased, additional, accelerated or guaranteed rights, entitlements, licenses or Liens relating to Intellectual Property owned by the Company or any of its Subsidiaries or with respect to which the Company or any of its Subsidiaries has any Contract providing for current or future rights or obligations between the Company or any of its Subsidiaries and any third party.

(i) Section 3.14(i) of the Company Disclosure Schedules sets forth a complete and correct list of all options, rights, licenses or interests of any kind relating to Intellectual Property granted to the Company or any of its Subsidiaries (other than Office Software), or granted by the Company or any of its Subsidiaries to any other Person.

(j) All software (other than Office Software) that is either (i) marketed by the Company or any of its Subsidiaries to its customers as a program or as part of a product or service or (ii) used by the Company or any of its Subsidiaries to support its business:

(1) is owned by the Company, or its Subsidiary, as applicable, or the Company, or its Subsidiary, as applicable, has the rights in such software necessary for the conduct of the business of the Company, or its Subsidiary, as applicable, as presently conducted;

(2) is free from any interest of any Participant; and

(3) is free from any interest of (a) any legal entity which sold, assigned or otherwise transferred such software to the Company or any of its Subsidiaries (or, in each case, any predecessor entity) and (b) any shareholder, unitholder, member or holder of any other interest in any such entity.

(k) No open source, public source or freeware software or any modification or derivative thereof, including any version of any software licensed pursuant to any GNU General Public License (GPL), GNU Lesser/Library Public License (LGPL) or Mozilla Public License (MPL) (collectively, "Open Source Code"), was used in, incorporated into, integrated, distributed or bundled with the Intellectual Property of the Company or any of its Subsidiaries prior to the Closing Date. To the extent Third-Party Software is marketed or distributed to customers of the Company or any of its Subsidiaries together with the Intellectual Property of the Company or any of its Subsidiaries, (i) such Third Party Software has been identified in Section 3.14(k) of the Company Disclosure Schedule, (ii) all licenses necessary to permit such marketing or distribution have been obtained and complied with, (iii) no royalties or payments are due now or in the future with respect to such marketing or distribution and (iv) there are no obligations to provide access to any third party to, or permit any third party to copy, modify or distribute, any Intellectual Property owned by or distributed or marketed by the Company or any of its Subsidiaries as a result of such marketing or distribution. For purposes of this Agreement, "Third-Party Software" means Open Source Code and third-party commercial products and redistributables that are not owned exclusively by the Company or any of its Subsidiaries.

(l) None of the source code in any products or other trade secrets of the Company has been published or disclosed by the Company or any of its Subsidiaries or, to the Knowledge of the Company, by any other Person to any Person except pursuant to licenses or Contracts requiring such other Persons to keep such source code or trade secrets confidential (which licenses or Contracts will be enforceable by the Company or its Subsidiaries for a reasonable time after the Closing to an extent sufficient to fully exploit all trade secrets material to the operations and businesses of the Company and its Subsidiaries as presently conducted).

(m) None of the products of the Company or any of its Subsidiaries contains code or interfaces that require a license from a third party and to which the Company or any of its Subsidiaries has not been granted such license.

(n) Neither the Company nor any of its Subsidiaries, and to the Knowledge of the Company, no other party to any Contract with the Company or any of its Subsidiaries relating to Intellectual Property, is in material default or material breach (with or without notice or lapse of time, or both) under its obligations under such Contract. Each of the Company and its Subsidiaries has implemented and maintained in effect reasonable security measures, consistent with general industry practices, with respect to third-party source code or other third-party Intellectual Property. If the terms of any Contract pursuant to which a third party licenses software to the Company or any of its Subsidiaries require that customers of the Company or such Subsidiary enter into a Contract with the Company, such Subsidiary or the applicable licensor, then the Company or such Subsidiary has procured all such licenses or sublicenses from its customers.

(o) Except as set forth in Section 3.14(o) of the Company Disclosure Schedules, no Person has any marketing rights to the Intellectual Property of the Company or any of its Subsidiaries.

(p) There is no outstanding Order by or with any Governmental Entity relating to Intellectual Property by which the Company or any of its Subsidiaries is bound.

(q) Neither the Company nor any of its Subsidiaries has assigned, sold, exclusively licensed or otherwise transferred ownership of Intellectual Property, including any patent, patent application, trademark, trademark application, service mark, mask work, copyright or application therefor or trade secret to any entity or Person, other than to the Company.

(r) No licenses or rights have been granted pursuant to any Contract by the Company, any of its Subsidiaries or any Participant or, to the Knowledge of the Company, any other Person to distribute the source code of, or to use the source code to create Derivative Works of, any product marketed (now or in the past) by, commercially available from, or under development by, the Company, any of its Subsidiaries or any Participant.

(s) The Company and each of its Subsidiaries has taken reasonable and necessary steps to protect its Intellectual Property and its rights thereunder.

(t) Except as set forth in Section 3.14(t) of the Company Disclosure Schedules, neither the Company nor any of its Subsidiaries has provided any services pursuant to Contracts that contemplate an engagement for services that requires the Company or any of its Subsidiaries to assign ownership to a third party of Intellectual Property that is created in connection with such services.

(u) Except as set forth in Section 3.14(u) of the Company Disclosure Schedules, no Contract of the Company or any of its Subsidiaries contemplates the release of source code from escrow, or otherwise grants a license to Intellectual Property of the Company or any of its Subsidiaries, to a third party upon the occurrence of specified events.

(v) As used in this Agreement, (i) "Derivative Work" means a work that is based upon one or more preexisting works, such as a revision, enhancement, modification, abridgement, condensation, expansion or any other form in which such preexisting works may be recast, transformed or adapted, and which, if prepared without authorization of the owner of the copyright in such preexisting work, would constitute a copyright infringement. As used in this Agreement, a Derivative Work shall also include any compilation that incorporates such a preexisting work, as well as translation from one human language to another and from one type of code to another, and (ii) "Intellectual Property" means trademarks (registered or unregistered), service marks, mask works, trade dress, domain names, tradenames and other indications of origin, and registrations in any jurisdiction of, and applications in any jurisdiction to register, the foregoing, including any extension, modification or renewal of any such registration or application; patents and patent applications in any jurisdiction; inventions, invention disclosures, discoveries and ideas, whether or not patented or patentable in any jurisdiction; computer programs and software (including source code, object code and data), know-how and any other technology; trade secrets and confidential information and rights in any jurisdiction to limit the use or disclosure thereof by any Person; writings and other works, whether or not copyrighted or copyrightable in any jurisdiction; registrations or applications for registration of copyrights in any jurisdiction, and any renewals or extensions thereof; any similar intellectual property or proprietary rights similar to any of the foregoing; licenses, immunities, covenants not to sue and the like relating to any of the foregoing; and any claims or causes of action arising out of or related to any infringement, misuse or misappropriation of any of the foregoing.

SECTION 3.15. Insurance. Section 3.15 of the Company Disclosure Schedules sets forth a complete and correct list and description, including annual premiums and deductibles, of all policies of fire, liability, product liability, workmen's compensation, health and other forms of insurance presently in effect with respect to the Company's or any of its Subsidiaries' properties, assets, operations and businesses, complete and correct copies of which have been delivered to the Buyer. All such policies are valid, outstanding and enforceable policies. No notice of cancelation or termination has been received with respect to any such policy. The activities and operations of the Company and each of its Subsidiaries have been conducted in a manner so as to conform to all applicable material provisions of such insurance policies.

SECTION 3.16. Suppliers and Customers. Except as set forth in Section 3.16 of the Company Disclosure Schedules, no material supplier or customer has cancelled or otherwise terminated, or threatened to cancel or otherwise to terminate, its relationship with the Company or any of its Subsidiaries or has during the last twelve months decreased materially, or threatened in writing to decrease or limit materially, its services, supplies or materials for use in the Company's or any of its Subsidiaries' respective businesses or its usage or purchase of the services or products of the Company or any of its Subsidiaries, except for normal cyclical changes related to customers' businesses. The Company has no knowledge that any such supplier or customer has expressed an intention or threat to cancel or otherwise substantially modify its relationship (or contractual terms) with the Company or any of its Subsidiaries, or to decrease materially or limit its services, supplies or materials supplied to the Company or any of its Subsidiaries, or its usage or purchase of a service or product of the Company or any of its Subsidiaries.

SECTION 3.17. Effect of Transaction. Since December 31, 2009, no creditor, supplier, officer, employee, contractor, consultant, client or other customer or other Person having a material business relationship with the Company or any of its Subsidiaries has informed the Company or a Subsidiary there of in writing or, to the Knowledge of the Company, orally, that such Person intends to change such relationship in a manner that is materially adverse to the Company or the Subsidiary thereof because of the transactions contemplated by this Agreement or the Indemnification Agreement.

SECTION 3.18. Disclosure; Information Supplied. No representation or warranty of the Company contained in this Agreement contains any untrue statement of a material fact, or omits to state any material fact required to be stated therein or necessary, in light of the circumstances under which it was made, to make the statements herein or therein not knowingly false or misleading.

SECTION 3.19. Transactions with Affiliates. Section 3.19 of the Company Disclosure Schedules sets forth all Contracts in effect or pursuant to which the parties thereto have current or future rights or obligations between or among, directly or indirectly, the Company or any Subsidiary thereof, on the one hand, and any Participants or Company unitholders, or any of the Company's Affiliates, on the other hand (including in respect of purchasing, leasing or obtaining any product or service or in respect of any Indebtedness or Guarantee thereof, but excluding any Contract with respect to the Company's obligations to indemnify members of its Board of Directors, Contracts pursuant to the Company's financing activities, Benefit Plans, Benefit Agreements and other employment agreements, in each case to the extent disclosed in the Company Disclosure Schedules), and Section 3.19 of the Company Disclosure Schedules sets forth a description of all payments (including dividends, distributions, loans, service or trade payments, salary, bonuses, payments under any management, consulting, monitoring or financial advisory agreement, advances or otherwise) made to or received from the Company or any Subsidiary thereof, on the one hand, and any Participants or Company unitholders or any of the Company's Affiliates, on the other hand, pursuant to any Contract required to be disclosed in Section 3.19 of the Company Disclosure Schedules. No such payments have been so made or received since December 31, 2008, or are required to be so received as of or after the Closing Date. No Participant or Company unitholder or Affiliate of the Company has any direct or indirect ownership interest in any Person in which the Company has any direct or indirect ownership interest or with which the Company or any Subsidiary thereof competes or has a business relationship.

SECTION 3.20. State Takeover Statutes. No state takeover or similar statute or regulation is applicable to the Transaction, this Agreement, the Indemnification Agreement, or the other transactions contemplated hereby and thereby.

SECTION 3.21. Confidentiality Obligations; Data Privacy. (a) The conduct of the Company's and each of its Subsidiaries' business as presently conducted does not violate or conflict with a material obligation of confidentiality or use to any other Person.

(b) The Company and each of its Subsidiaries has collected, stored and processed personal information from customers in accordance, in all material respects, with applicable data protection and privacy Laws.

SECTION 3.22. Brokers; Schedule of Fees and Expenses. Other than the OPCO Fee, 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 or the Indemnification Agreement based upon arrangements made by or on behalf of the Company or any Subsidiary thereof. The Company has delivered to the Buyer complete and correct copies of all Contracts under which any such fees or expenses are payable and all indemnification and other Contracts related to the engagement of the Persons to whom such fees are payable. The Company has not paid or agreed to pay any fee, commission or expense incurred by any Company unitholder (including the fees, commissions or expenses of any accountant, auditor, broker, financial advisor, consultant or legal counsel retained by or on behalf of any Company unitholder) arising from or in connection with this Agreement, the Indemnification Agreement or the transactions contemplated hereby or thereby.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLING MEMBERS

Each Selling Member represents and warrants to the Buyer as follows:

SECTION 4.01. Due Authorization. To the extent the Selling Member is an entity, the Selling Member is a corporation duly organized, validly existing and in good standing under the Laws of its incorporation jurisdiction, and has all requisite power and authority to carry on its business as presently conducted. The Selling Member has the requisite power and authority to execute and deliver this Agreement, the Indemnification Agreement and the Escrow Agreement, to consummate the transactions contemplated hereby and thereby and to comply with the provisions of this Agreement, the Indemnification Agreement and the Escrow Agreement. To the extent the Selling Member is an entity, the execution, delivery and performance of this Agreement, the Indemnification Agreement and the Escrow Agreement by the Selling Member, the consummation by the Selling Member of the transactions contemplated hereby and thereby and the compliance by the Selling Member with the provisions of this Agreement, the Indemnification Agreement and the Escrow Agreement have been duly authorized by all necessary action on the part of the Selling Member, and no other action or proceeding on the part of the Selling Member is necessary to authorize this Agreement, the Indemnification Agreement and the Escrow Agreement or to consummate the transactions contemplated hereby or thereby. This Agreement, the Indemnification Agreement and the Escrow Agreement have been duly executed and delivered by the Selling Member and, assuming the due authorization, execution and delivery by the Buyer and the Company constitute valid and binding obligations of the Selling Member enforceable against the Selling Member in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other similar Laws now or hereafter in effect relating to creditor's rights generally, and general equitable principles (regardless of whether enforcement is considered in equity or at law). The execution and delivery of this Agreement, the Indemnification Agreement and the Escrow Agreement and the consummation of the transactions contemplated hereby and thereby and compliance by the Selling Member with the provisions of this Agreement, the Indemnification Agreement and the Escrow Agreement do not and will not give rise to a right of, or result in, termination, cancelation or acceleration of any obligation or to a loss of a benefit under, or result in the creation of any Lien in or upon any of the Sold Units of the Selling Member or, subject to the governmental filings, approvals and other matters referred to in Section 3.02(d), conflict with, violate or breach under, any applicable Law or Order, in each case applicable to the Selling Member or any of its Sold Units, other than, any such conflicts, violations, breaches, defaults, rights, losses, Liens or entitlements that individually or in the aggregate could not reasonably be expected to impair in any material respect the ability of the Selling Member to perform its obligations under this Agreement, the Indemnification Agreement and the Escrow Agreement or prevent or materially impede, interfere with, hinder or delay the consummation of any of the transactions contemplated hereby or thereby. No consent, approval, Order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to the Selling Member in connection with the execution and delivery by the Selling Member of this Agreement, the Indemnification Agreement and the Escrow Agreement by the Selling Member, the consummation by the Selling Member of the transactions contemplated hereby or thereby or the compliance by the Selling Member with the provisions of this Agreement, the Indemnification Agreement and the Escrow Agreement, except for such consents, approvals, Orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made individually or in the aggregate could not reasonably be expected to impair in any material respect the ability of the Selling Member to perform its obligations under this Agreement, the Indemnification Agreement and the Escrow Agreement or prevent or materially impede, interfere with, hinder or delay the consummation of any of the transactions contemplated hereby or thereby.

SECTION 4.02. Title to Units. The Selling Member (i) holds and has good and valid title to the Sold Units to be purchased by the Buyer from the Selling Member (and to the Unit Rights for which the Selling Member shall receive a Change of Control Payment) in the Transaction Free and Clear, subject to the Organizational Documents, and (ii) is the record and beneficial owner thereof. Assuming the Buyer has the requisite power and authority to be the lawful owner of such Sold Units, upon the delivery to the Buyer at the Closing of the bill of sale for and assignment of such Sold Units, in form to be agreed by the Buyer duly executed by the Selling Member, and upon the Selling Member's receipt of the amount set forth opposite such Selling Member's name on Schedule A, not including the portion of said amount to be delivered to the escrow agent as part of the Escrow Amount at the Closing, and upon delivery to the escrow agent of the Selling Member's portion of the Escrow Amount, good and valid title to such Sold Units will pass to the Buyer, Free and Clear, and such Sold Units are not subject to any voting trust agreement or other Contract, other than as set forth in the Operating Agreement, relating to the ownership, voting, dividend rights or disposition of such Sold Units.

SECTION 4.03. Brokers; Fees and Expenses. Other than the OPCO Fee, 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 from the Selling Member or, to the Best Knowledge of the Selling Member, the Company, in connection with the transactions contemplated by this Agreement, the Indemnification Agreement and the Escrow Agreement based upon arrangements made by or on behalf of the Selling Member.

SECTION 4.04. Rights to Intellectual Property. The Selling Member owns no Intellectual Property used in the Company's or any of its Subsidiaries' respective businesses as presently conducted.

SECTION 4.05. Investment Decision. The Selling Member has received, has had ample opportunity to review and has reviewed, a copy of this Agreement, the Indemnification Agreement, the Escrow Agreement and such other documents and information as it has deemed appropriate to make its own analysis and decision to enter into this Agreement, the Indemnification Agreement and the Escrow Agreement and to sell the Units owned by the Selling Member to the Buyer on the basis of such analysis. The Selling Member has such knowledge and experience in business and financial matters to enable the Selling Member to understand and evaluate this Agreement, the Indemnification Agreement and the Escrow Agreement and form an investment decision with respect thereto.

SECTION 4.06. Indemnification Agreement and Escrow Agreement. The Selling Member understands and acknowledges that the Buyer is entering into this Agreement in reliance upon the Selling Member's execution and delivery of the Indemnification Agreement and the Escrow Agreement.

SECTION 4.07. Transactions with Company Affiliates. Except at set forth on Section 4.07 of the Company Disclosure Schedules, the Selling Member has no direct or indirect ownership interest in any Person in which the Company has any direct or indirect ownership interest or, to Knowledge of the Selling Member, with which the Company has a business relationship.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Selling Members as follows:

SECTION 5.01. Due Authorization. The Buyer is a corporation duly organized and validly existing under the Laws of the State of Delaware and has all requisite power and authority to carry on its business as presently conducted. The Buyer has the requisite corporate power and authority to execute and deliver this Agreement, the Indemnification Agreement and the Escrow Agreement, to consummate the transactions contemplated hereby and thereby and to comply with the provisions of this Agreement, the Indemnification Agreement and the Escrow Agreement. The execution, delivery and performance of this Agreement, the Indemnification Agreement and the Escrow Agreement by the Buyer, the consummation by the Buyer of the transactions contemplated hereby and thereby and the compliance by the Buyer with the provisions of this Agreement, the Indemnification Agreement and the Escrow Agreement have been duly authorized by all necessary corporate action on the part of the Buyer and no other corporate proceedings on the part of the Buyer are necessary to authorize this Agreement, the Indemnification Agreement and the Escrow Agreement or to consummate the transactions contemplated hereby or thereby. This Agreement, the Indemnification Agreement and the Escrow Agreement have been duly executed and delivered by the Buyer, and, assuming the due authorization, execution and delivery by the Selling Members and, in the case of this Agreement and the Indemnification Agreement, the Company, constitute valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with their terms. The execution and delivery of this Agreement, the Indemnification Agreement and the Escrow Agreement and the consummation of the transactions contemplated hereby and thereby and compliance by the Buyer with the provisions of this Agreement, the Indemnification Agreement and the Escrow Agreement do not and will not conflict with, or result in any violation or breach of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of, or result in, termination, cancelation or acceleration of any obligation or to a loss of a benefit under, or result in the creation of any Lien in or upon any of the properties or assets of the Buyer under, or give rise to any increased, additional, accelerated or guaranteed rights or entitlements under, any provision of (a) the certificate of incorporation or bylaws of the Buyer, (b) any Contract to which the Buyer is party or any of its properties or assets is subject or (c) subject to the governmental filings and other matters referred to in the following sentence, any Law or Order, in each case applicable to the Buyer or any of its properties or assets, other than, in the case of clauses (b) and (c), any such conflicts, violations, breaches, defaults, rights, losses, Liens or entitlements that individually or in the aggregate could not reasonably be expected to impair in any material respect the ability of the Buyer to perform its obligations under this Agreement, the Indemnification Agreement and the Escrow Agreement or prevent or materially impede, interfere with, hinder or delay the consummation of any of the transactions contemplated hereby or thereby. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to the Buyer in connection with the execution and delivery of this Agreement, the Indemnification Agreement and the Escrow Agreement by the Buyer, the consummation by the Buyer of the transactions contemplated hereby or thereby (or the compliance by the Buyer with the provisions of this Agreement, except for such consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made individually or in the aggregate could not reasonably be expected to impair in any material respect the ability of the Buyer to perform its obligations under this Agreement, the Indemnification Agreement and the Escrow Agreement or prevent or materially impede, interfere with, hinder or delay the consummation of any of the transactions contemplated hereby or thereby. There are no claims, suits, actions or proceedings pending or threatened in writing or, to the Knowledge of the Buyer, threatened orally against, relating to or affecting the Buyer, before any court, governmental department, commission, agency, instrumentality or authority, or any arbitrator that seeks to restrain or enjoin the consummation of the transactions contemplated by this Agreement.

SECTION 5.02. Securities Act. The Units purchased by the Buyer in the Transaction are being acquired for investment only and not with a view to any public distribution thereof, and the Buyer shall not offer to sell or otherwise dispose of such Units so acquired by it in violation of any of the registration requirements of the Securities Act of 1933.

SECTION 5.03. Brokers. 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 or the Indemnification Agreement based upon arrangements made by or, to the Knowledge of the Buyer, on behalf of the Buyer.

ARTICLE VI

COVENANTS

SECTION 6.01. Agreements of the Company. Between the date hereof and the Closing Date, neither the Company nor any Subsidiary thereof shall:

(a) directly or indirectly do any of the following: (i) sell, pledge, dispose of, or encumber (other than Permitted Encumbrances) any of its assets, other than sales of products and sales of immaterial capital assets – in each case - in the ordinary course of its business and consistent with past practice; (ii) amend or propose to amend its Organizational Documents or comparable organizational documents; (iii) split, combine or reclassify any outstanding Units or other equity interest, or declare, set aside or pay any dividend or distribution payable in cash, equity interest, property or otherwise with respect to such Units or other equity interest; (iv) redeem, purchase, acquire or offer to acquire any Units or other equity interest; or (v) enter into any agreement, or take any action, with respect to any of the matters set forth in this Section 6.1(a);

(b) (i) issue, sell, pledge, or dispose of, or agree to issue, sell, pledge, or dispose of, any Units or other equity interests of, or securities convertible into or exchangeable for, or any options, warrants, or rights of any kind to acquire any Units or other equity interests of any class whether pursuant to any rights agreement or otherwise; (ii) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any equity or similar interest in any entity; (iii) incur any indebtedness for borrowed money or issue any debt securities, except in the ordinary course of its business and consistent with past practice; (iv) enter into any Contract except in the ordinary course of its business and consistent with past practice; (v) terminate, modify, assign, waive, release or relinquish any material Contract rights or amend any material rights or claims not in the ordinary course of its business and consistent with past practice, except as expressly provided herein; or (vi) dissolve or otherwise alter its limited liability company existence;

(c) take any action to institute any new severance or termination pay practices with respect to any directors, officers or employees of the Company or any of its Subsidiaries or to increase the benefits payable under its severance or termination pay practices;

(d) hire any new employees except for employees having an annualized salary of less than $50,000, employees who are terminable at will, or employees who are hired to replace a former employee;

(e) make any capital expenditures or capital commitments in excess of $25,000 in the aggregate, except for expenditures for maintenance of capital assets in the ordinary course of its business;

(f) otherwise conduct its business except in the ordinary course except with respect to those actions to be taken in connection with the transactions contemplated hereby; and

(g) enter into any agreement, or take any action, with respect to any of the matters set forth in this Section 6.01.

Without limiting the foregoing, the Company further agrees to consult with and consider the comments of the Buyer in connection with the transactions permitted in subsections (a) through (e), provided that with respect to transactions under subsection (b)(iv) and (b)(v) only to the extent such transaction exceeds $50,000.

SECTION 6.02. Agreements of the Selling Members. Between the date hereof and the Closing Date, no Selling Member shall directly or indirectly do any of the following: (i) assign, transfer, sell, pledge, dispose of, or encumber any of its Units or any other enquiry interests; (ii) grant any options, rights, warrants, of any kind to acquire any of its Units or any other enquiry interests; (iii) or take any other action or enter any other agreement that impairs its ability to perform its obligations hereunder.

SECTION 6.03. SELLING MEMBERS RELEASE. EFFECTIVE AS OF THE CLOSING, EACH SELLING MEMBER, AND ITS AFFILIATES AND ASSIGNS, IF ANY, RELEASE AND ABSOLUTELY FOREVER DISCHARGE THE COMPANY, ITS SUBSIDIARIES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, UNITHOLDERS, AFFILIATES, EMPLOYEES AND AGENTS (EACH, A "RELEASED PARTY", AND WHICH SHALL NOT INCLUDE THE BUYER) 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 THE SELLING MEMBER NOW HAS, OR AT ANY TIME PREVIOUSLY HAD, OR SHALL OR MAY HAVE IN THE FUTURE, IN ITS CAPACITY AS A UNITHOLDER OF THE SOLD UNITS OF THE COMPANY, 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 DATE, AS WELL AS WITH RESPECT TO THE CALCULATION OF AND AMOUNT OF THE CLOSING CONSIDERATION AND/OR CHANGE OF CONTROL PAYMENT (IF APPLICABLE) TO BE PAID TO OR FOR THE BENEFIT OF SUCH SELLING MEMBER AT THE CLOSING DATE. IT IS THE INTENTION OF EACH SELLING MEMBER IN EXECUTING THIS RELEASE, AND IN GIVING AND RECEIVING THE CONSIDERATION CALLED FOR HEREIN, THAT THE RELEASE CONTAINED IN THIS SECTION 6.03 SHALL BE EFFECTIVE AS A FULL AND FINAL ACCORD AND SATISFACTION AND GENERAL RELEASE OF AND FROM ALL RELEASED MATTERS AND THE FINAL RESOLUTION BY THE SELLING MEMBER AND THE RELEASED PARTIES OF ALL RELEASED MATTERS. EACH SELLING MEMBER HEREBY REPRESENTS TO THE COMPANY THAT SUCH SELLING MEMBER 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 SELLING MEMBER HAS ANY INTEREST IN ANY RELEASED MATTER BY LAW OR CONTRACT BY VIRTUE OF ANY ACTION OR INACTION BY SUCH SELLING MEMBER. THE INVALIDITY OR UNENFORCEABILITY OF ANY PART OF THIS SECTION 6.03 SHALL NOT AFFECT THE VALIDITY OR ENFORCEABILITY OF THE REMAINDER OF THIS SECTION 6.03, WHICH SHALL REMAIN IN FULL FORCE AND EFFECT.

SECTION 6.04. Public Announcements. Except as otherwise required by Law, neither the Company nor the Selling Members shall issue or cause the publication of any press release or other public announcement with respect to the transactions contemplated by this Agreement, the Indemnification Agreement and the Escrow Agreement without the prior written consent of the Buyer. The Parties hereby further agree to maintain the confidentiality of the financial terms of this Agreement, the information on the Exhibits and Schedules hereunder, the Indemnification Agreement and the Escrow Agreement and shall not disclose the terms and conditions hereof and thereof, except as otherwise required by any Law.

SECTION 6.05. Confidentiality. (a) The Selling Members who are officers, directors and/or employees of the Company and any of its Subsidiaries as of the date hereof ("ODE Members") hereby acknowledge that the confidential information and business relationships of the Company and the Buyer are necessary for the Buyer to continue to operate the business being transferred hereunder. Such ODE Members shall for five (5) years after the Closing hold strictly confidential and shall not disclose any confidential or proprietary information concerning the business and affairs of the Company and the Buyer. For purposes of this Section 6.05, confidential or proprietary information shall not include information that (a) is or becomes available to the public through no wrongful act of the ODE Member, (b) is disclosed, without restriction on further disclosure, to the ODE Member by a third party, other than a Selling Member, having no duty of confidentiality with respect to such information whether to the Company or to another party, and having the legal right to disclose such information, or (c) is approved for release by written authorization of an officer of the Buyer or any of its Affiliates. The ODE Members hereby acknowledge that such confidential or proprietary information (including all ideas, know-how, concepts, techniques and methodologies contained therein) belong exclusively to the Company. The ODE Members recognize and acknowledge the competitive value and confidential nature of such information and the damage that could result to the Company if any of such information is disclosed to any third party or used for any purpose other than for the benefit of the Company.

(b) The ODE Members hereby further acknowledge that (i) the Company and the Buyer have a reasonable, necessary and legitimate business interest in protecting their respective confidential information and business relationships and that the foregoing covenants are reasonable and necessary to protect such business interests and are given as an inducement to the Buyer to consummate the transactions contemplated herein and for other good and valuable consideration hereunder.

(c) It is understood and agreed that this Section does not apply to information that may be used for tax or legal matters of the ODE Members.

SECTION 6.06. Company Disclosure Schedules. From time to time prior to the Closing, the Company shall promptly supplement or amend the Company Disclosure Schedules in order to keep such information therein materially timely, complete and accurate; provided, however, that if the Company is barred from selling, directly or indirectly as a subcontractor, to the defense agencies of the United States government its products or services, the Buyer shall have the right to elect not to consummate the Transaction; provided, further, that no such supplement or amendment shall be effective to correct any representations or warranties that were not true, complete and accurate at the time of executing this Agreement.

SECTION 6.07. Certain Tax Matters. (a) All tax sharing agreements, arrangements and practices between the Company (and any Affiliate of the Company), on the one hand, and any other party, on the other hand, shall be terminated no later than the Closing. After the Closing, neither the Company nor any Affiliate of the Company shall have any rights or obligations under any such tax sharing agreement, arrangement or practice.

(b) All shares transfer, real property transfer or gains taxes, documentary, sales, use, registration, value added and other similar taxes and related fees (including interest, penalties and additions thereto) incurred in connection with the Transaction shall be borne by the Selling Members, and the Selling Members shall indemnify the Buyer and the Company for any such taxes incurred as a result of the Selling Members' failure timely to pay such taxes.

(c) The Selling Members shall cooperate, and shall cause their respective Affiliates, directors, officers, employees, contractors, consultants, agents, auditors and representatives reasonably to cooperate with the Buyer and the Company in preparing and filing all tax returns, resolving disputes and in all other matters relating to taxes, including by maintaining and making available to the Buyer, the Company and their respective Affiliates all books and records relating to taxes.

(d) On and after the Closing, Buyer will provide the Selling Members' Representative with any and all information relating to the Company that Selling Members shall reasonably require to prepare any and all Tax returns relating to transactions contemplated herein to the extent such information is reasonably available to Buyer. Buyer shall prepare the short-period income Tax returns that include the Closing Date in a manner consistent with prior year income Tax returns to the extent in compliance with applicable Law. Any such draft return shall be provided to the Selling Members' Representative at least fourteen (14) Business Days prior to its filing and Buyer shall consider any comments made by the Selling Members' Representative prior to filing such return.

SECTION 6.08. Fees and Expenses. All fees and expenses incurred in connection with this Agreement, the Indemnification Agreement, the Escrow Agreement, the Transaction and the other transactions contemplated hereby and thereby shall be paid by the party incurring such fees or expenses, whether or not the Transaction and the other transactions contemplated hereby are consummated, other than the Company Transaction Fees, which shall be paid by the Selling Members and the RAS Inc. Principals in the amounts set forth in Schedule A; provided; however, that, if this Agreement and the transactions contemplated hereby do not close as provided hereunder, the Buyer shall reimburse the Selling Members for fifty percent (50%) of the legal fees and costs actually paid by the Seller Members directly in connection with the transaction, but in any event up to a maximum reimbursement amount of $50,000.

SECTION 6.09. Indemnification Obligations; Insurance. During the period ending six (6) years after the Closing Date, Buyer will ensure that Company fulfills its obligations to the present and former members of the Company Board of Directors and present and former officers of the Company pursuant to the terms of the Company's Organizational Documents as in effect on the date hereof. Prior to the Closing, the Company shall purchase an extended reporting period endorsement under the Company's existing directors' and officers' liability insurance coverage in a form acceptable to Buyer that shall provide the members of the Company Board of Directors and the Company's officers with coverage for six (6) years following the Closing Date of not less than the existing coverage and have other terms not materially less favorable to the insured persons than the Company's directors' and officers' liability insurance coverage presently maintained by the Company.

SECTION 6.10. Further Assurances/Additional Agreements. (a) Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to satisfy the conditions to Closing to be satisfied by it and to consummate and make effective the transactions contemplated by this Agreement, the Indemnification Agreement and the Escrow Agreement, in the most expeditious manner practicable, including, without limitation, using commercially reasonable efforts to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby and thereby and using commercially reasonable efforts to prevent the breach of any representation, warranty, covenant or agreement of such party contained or referred to in this Agreement and to promptly remedy the same.

(b) The Company shall make or cause to be made all filings and submissions applicable to the Company for the consummation of the Transaction, and the Parties shall use commercially reasonable efforts to cooperate so that the Buyer will be able to prepare and file promptly after the date hereof the application for the FCC Consent.

(c) The Parties shall use commercially reasonable efforts to cooperate so as to file promptly after the date hereof a joint notice under the Defense Production Act to CFIUS with respect to the Transaction (the "CFIUS Notice"), and to seek confirmation from CFIUS that (i) the Transaction does not fall within the scope of transactions requiring investigation; (ii) it will not take or has withdrawn any recommendation to the President of the United States to block or prevent the consummation of the Transaction; and (iii) it will not propose or impose any restrictions or conditions on the Transaction.

(d) In case at any time prior to or after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement (including execution of other documents, instruments and writings), each party to this Agreement shall cooperate with the other parties and shall use commercially reasonable efforts to take all such necessary action.

SECTION 6.11. 2009 Audited Financial Statements. The Company and the Selling Members' Representative shall use their commercially reasonable efforts to provide the Buyer, as early as possible prior to Closing, with audited consolidated financial statements of the Company as of December 31, 2009, including the related audited consolidated balance sheets, statements of changes in unitsholders' equity (deficiency) and consolidated statements of cash flows of the Company for the fiscal year ended December 31, 2009 and the notes related thereto.

SECTION 6.12. Post-Closing Payments by the Company. After Closing, the Buyer shall cause the Company to pay, as soon as the Company's financial position enables such payments (but not later than December 31, 2010), as follows:

(a) unpaid compensation expenses reflected in the financial statements of the Company to those individuals identified thereunder; and

(b) to David Gross, the outstanding non-convertible loan in the principal amount of $100,000 plus any accrued and unpaid interest thereunder.

SECTION 6.13. No Shop. (a) Until the earlier of the Closing Date or the Termination Date, to the full extent permitted by Delaware corporate law, neither the Selling Members nor the Company shall solicit, initiate, encourage or participate in any discussions, negotiations or proposals for the acquisition (by way of merger, consolidation, acquisition of stock or assets or otherwise) of the Company, RAS Israel or any part of the Company's or RAS Israel's business or the Sold Units.

(b) For the avoidance of doubt, this Section 6.13 does not limit the ability of the Company to do any of the transactions permitted under Section 6.01.

SECTION 6.14. Additional Tax Matters. (a) On the earlier of (i) the date on which the Company files its tax reports with the Internal Revenue Service (the "IRS") for fiscal year 2009 or (ii) September 15, 2010, the Buyer shall cause the Company (i) to pay to each of the Selling Members, by cashier's check or wire transfer to bank accounts designated by each Selling Member, and (ii) to pay to the tax authorities on behalf of RAS, Inc., the amount equal to 40% of the taxable income of the Company for fiscal year 2009 as reported to the IRS (the "2009 Tax") to such Selling Member or RAS, Inc., as the case may be, up to an aggregate amount of $550,000 for all Selling Members and RAS Inc. minus the amount of any taxes paid or to be paid, on a pro forma basis, on the taxable income of RAS Israel for fiscal year 2009. The Buyer and the Company shall apportion the 2009 Tax among the Selling Members and RAS, Inc. on the basis of their percentage unitholdings in the Company in 2009 as set forth in Schedule A.

(b) In the event that the tax owed by the Selling Members and RAS Inc. by virtue of their ownership interests in the Company during fiscal year 2009 (the "2009 Actual Tax"), plus the amount of any taxes paid or to be paid, on a pro forma basis, on the taxable income of RAS Israel for fiscal year 2009,exceeds $550,000in the aggregate, then Buyer shall cause the Company (i) to pay to each of the Selling Members, by cashier's check or wire transfer to bank accounts designated by each Selling Member, and (ii) to pay to the tax authorities on behalf of RAS, Inc., the amount of tax in excess of $550,000 for fiscal year 2009, up to (but no more than) the amount, if any, then available under the $150,000 "basket" of Section 2.06(d) of the Indemnification Agreement, and any such payment shall be deemed a use of the "basket" to such dollar amount. The Buyer and the Company shall apportion any payments under this Section 6.12(b) among the Selling Members and RAS Inc. on the basis of percentage unitholdings during fiscal year 2009 as set forth in Schedule A.

(c) In the event that the 2009 Actual Tax exceeds the then available "basket", the Selling Members' Representative shall have the right to commence an arbitration asserting that such excess amount is the result of changes by the Buyer from the tax methodology planned by the Company for 2009 as demonstrated by Exhibit F. The arbitrator shall determine whether the tax methodology planned by the Company for 2009 was reasonable and whether the amount of the 2009 Tax would have been lower if the Company would have used the tax methodology planned by the Company for 2009 and shall award to the prevailing party the cost and expenses of the arbitration, including reasonable attorney fees. If the Selling Members' Representative is the prevailing party, the arbitrator shall award to the Selling Members' Representative, on behalf of the Selling Members and RAS Inc., the difference between the 2009 Tax and the amount that the 2009 Tax would have been had the Company used the tax methodology planned by the Company for 2009. The arbitration shall be held before a single arbitrator pursuant to the commercial rules of the American Arbitration Association. Any such arbitration shall take place in Fairfax County, Virginia.

(d) On the earlier of (i) the date on which the Company files its tax reports with the IRS for the period of fiscal year 2010 prior to the Closing or (ii) September 15, 2011, the Buyer shall cause the Company (i) to pay to each of the Selling Members, by cashier's check or wire transfer to bank accounts designated by each Selling Member, and (ii) to pay to the tax authorities on behalf of RAS, Inc., the amount equal to 40% of the taxable income of the Company for the period of fiscal year 2010 prior to the Closing as reported to the IRS (the "2010 Tax") to such Selling Member or RAS, Inc., as the case may be. The Buyer and the Company shall apportion the 2010 Tax among the Selling Members and RAS, Inc. on the basis of their percentage unitholdings during the period of fiscal year 2010 prior to the Closing Date as set forth in Schedule A.

(e) In the event that tax is owed by the Selling Members and RAS Inc. by virtue of their ownership interests in the Company for the years prior to 2009, then the Buyer shall cause the Company (i) to pay to each of the Selling Members, by cashier's check or wire transfer to bank accounts designated by each Selling Member, and (ii) to pay to the tax authorities on behalf of RAS Inc., the amount equal to 40% of the taxable income of the Company for the period of fiscal year for which the tax is owed up to (but not more than) the amount, if any, then available under the $150,000 "basket" of Section 2.06(d) of the Indemnification Agreement, and any such payment shall be deemed a use of the "basket" to such dollar amount. The Buyer and the Company shall apportion any payments under this Section 6.11(e) among the Selling Members and RAS Inc. on the basis of percentage unitholdings during the respective fiscal years as shall be specified in an exhibit to be provided to the Buyer by the Selling Members' Representative no later than the Closing Date.

ARTICLE VII

SELLING MEMBERS' REPRESENTATIVE

SECTION 7.01. Authorization of the Selling Members' Representative. David Gross (the "Selling Members' Representative") (and each successor appointed in accordance with Section 7.03) hereby is appointed, authorized and empowered to act, on behalf of each Selling Member and RAS Inc. Principals, in connection with, and to facilitate the consummation of the Transaction, and in connection with the activities to be performed on behalf of the Selling Members and/or RAS Inc. Principals under this Agreement, the RAS Inc SPA, the Indemnification Agreement and the Escrow Agreement, as applicable, for the purposes and with the powers and authority set forth in this ARTICLE VII, which will include the power and authority (for purposes of this ARTICLE VII, references to "this Agreement" shall mean this Agreement and the RAS Inc. SPA and references to the Selling Members shall include the RAS Inc. Principals):

(a) to execute and deliver such amendments, waivers and consents in connection with thisAgreement, the Indemnification Agreement, the Escrow Agreement and the transactions contemplated hereby and thereby as the Selling Members' Representative, in its reasonable discretion, may deem necessary or desirable to give effect to the intentions of this Agreement, the Indemnification Agreement and the Escrow Agreement;

(b) to enforce and protect the Selling Members' rights and interests and to enforce and protect the Selling Members' rights and interests arising out of or under or in any manner relating to this Agreement, the Indemnification Agreement, the Escrow Agreement and the transactions contemplated hereby and thereby (including in connection with any claims related to this Agreement, the Indemnification Agreement, the Escrow Agreement and the transactions contemplated hereby and thereby and, in connection therewith, to (i) assert any claim or institute any Legal Proceeding, (ii) investigate, defend, contest or litigate any Legal Proceeding against the Selling Members and receive process on behalf of each Selling Member in any such Legal Proceeding and compromise or settle on such terms as the Selling Members' Representative will determine to be appropriate, give receipts, releases and discharges on behalf of all or any Selling Members with respect to any such Legal Proceeding, (iii) file any proofs, debts, claims and petitions as the Selling Members' Representative may deem advisable or necessary, (iv) settle or compromise any claims related to this Agreement, the Indemnification Agreement, the Escrow Agreement and the transactions contemplated hereby and thereby, (v) assume, on each Selling Members' behalf, the defense of any claims related to this Agreement, the Indemnification Agreement, the Escrow Agreement and the transactions contemplated hereby and thereby, and (vi) file and prosecute appeals from any decision, judgment or award rendered in any of the foregoing Legal Proceedings, it being understood that the Selling Members' Representative will not have any obligation to take any such actions, and will not have liability for any failure to take any such action;

(c) to refrain from enforcing any right of any Selling Member and/or of the Selling Members' Representative arising out of or under or in any manner relating to this Agreement, the Indemnification Agreement and the Escrow Agreement;

(d) to make, execute, acknowledge and deliver all such other Contracts, guarantees, orders, receipts, endorsements, notices, requests, instructions, certificates, stock powers, letters and other writings, and, in general, to do any and all things and to take any and all action that the Selling Members' Representative, in its sole and absolute discretion, may consider necessary or proper or convenient in connection with or to carry out the activities described in clauses (a) through (d) above and the Transaction.

The grant of authority provided for in this Section 7.01 (i) is coupled with an interest and is being granted, in part, as an inducement to the Company, the Selling Members and the Buyer to enter into this Agreement and will be irrevocable and survive the death, incompetency, bankruptcy or liquidation of any Selling Member and will be binding on any successor thereto; (ii) subject to Section 7.03, may be exercised by the Selling Members' Representative acting by signing as Selling Members' Representative of any Selling Member.

SECTION 7.02. Compensation; Exculpation; Indemnity.

(a) The Selling Members' Representative will not be entitled to any fee, commission or other compensation for the performance of its service hereunder, but will be entitled to the payment by the Selling Members of all of its out-of-pocket expenses incurred as Selling Members' Representative.

(b) In dealing with this Agreement and any instruments, agreements or documents relating thereto, and in exercising or failing to exercise all or any of the powers conferred upon the Selling Members' Representative hereunder or thereunder, (i) the Selling Members' Representative will not assume any, and will incur no, liability whatsoever to any Selling Members because of any error in judgment or other act or omission performed or omitted hereunder or in connection with this Agreement; (ii) the Selling Members' Representative will be entitled to rely on the advice of counsel, public accountants or other independent experts experienced in the matter at issue; and (iii) the Selling Members shall jointly and severally indemnify the Selling Members' Representative and hold him harmless against any loss, liability or expense incurred without gross negligence or bad faith on the part of the Selling Members' Representative and arising out of or in connection with the acceptance or administration of his duties hereunder.

SECTION 7.03. Removal and Replacement; Successor Selling Members' Representative.

(a) If the Selling Members' Representative or his heir or personal representative, as the case may be, advise the Selling Members that the Selling Members' Representative is unavailable to perform its duties hereunder, within three Business Days of notice of such advice, a Selling Members' Representative, who must be a Selling Members, will be appointed by the Selling Members who hold (or held, as applicable) a majority of the Sold Units.

(b) Any Selling Members' Representative may be removed at any time by a written notice delivered by the Selling Members who hold (or held, as applicable) a majority of the Sold Units to the Selling Members' Representative, the other Selling Members, the Buyer and the Company.

(c) If any successor Selling Members' Representative is appointed under Sections 7.03(a) or 7.03(b), such appointment will be effective upon delivery of written notice thereof executed by the Selling Members who hold (or held, as applicable) a majority of the Sold Units to each of the Selling Members' Representative, the other Selling Members', the Buyer and the Company. Any successor Selling Members' Representative will have all of the authority and responsibilities conferred upon or delegated to a Selling Members' Representative pursuant to this Section 7.03.

SECTION 7.04. Reliance; Limitation as to the Buyer and the Company.

(a) The Buyer and the Company may conclusively and absolutely rely, without inquiry, and until the receipt of written notice of a change of the Selling Members' Representative under Section 7.03, may continue to rely, without inquiry, upon the action of the Selling Members' Representative as the action of each Selling Members in all matters referred to in this ARTICLE VII; provided, however, that if the Buyer is given written notice of the appointment of a successor Selling Members' Representative under Section 7.03, the Buyer, the Company, and the Selling Members will be obligated to recognize, and will only be able to so rely upon the action of, such successor Selling Members' Representative as the Selling Members' Representative for all purposes under this Agreement, the Indemnification Agreement and the Escrow Agreement.

(b) Except as set forth in this Section 7.04, this ARTICLE VII creates no binding obligations between the Buyer or the Company, on the one hand, and the Selling Members, on the other hand.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Survival of Representations, Warranties and Covenants. The representations, warranties and covenants in this Agreement and in any instrument delivered pursuant to this Agreement shall survive the Closing as and until the applicable time provided in the Indemnification Agreement.

SECTION 8.02. Waiver of Rights. Each Selling Member and the Company hereby waives those provisions set forth in the Operating Agreement, or as otherwise may be required, to the extent applicable, with respect to each such Selling Member's or the Company's right, if any, to (i) any rights of first refusal, tag-along rights, buy-out or drag-along rights or any other rights set forth in the Operating Agreement that may be triggered in connection with the transactions contemplated by this Agreement and (ii) any notice of the foregoing.

SECTION 8.03. Breakup Fee. (a) If (i) the Buyer or any Selling Member which holds 5% or more of the Sold Units (each, for purposes of this Section, a "Breaching Party" as the case may be) shall have breached or failed to perform any of its covenants or other agreements contained in this Agreement, which failure to perform results in a failure of any condition to Closing set forth in this Agreement and such failure cannot be cured by the Termination Date, (ii) the non-Breaching Party is not in material breach of its obligations under this Agreement and (iii) the Closing has not occurred by the Termination Date, then, upon written demand of the non-Breaching Party, the Breaching Party shall pay to the non-Breaching Party, in connection with such termination, an amount in immediately available funds equal to $1,250,000 (one million two hundred and fifty thousand U.S. dollars). If the Selling Members are the non-Breaching Party/ies, demand for the break up fee shall be made by the Selling Member Representative and payment to the Selling Members, if any, shall be made to the Selling Member Representative for distribution to the Selling Members (and any Sellers under the RAS Inc. SPA, if applicable) on a pro rata basis. The breakup fee payable pursuant to this Section shall be in lieu of all other claims and remedies that might be available with respect thereto under this Agreement or otherwise and shall be the sole remedy for such termination under this Agreement. For the avoidance of doubt, the amount of the break up fee under this Agreement is the same as and not in addition to the break up fee under the RAS Inc. SPA.

(b) Intellectual Property and Marketing Agreement Not Finalized. If the Intellectual Property and Marketing Agreement is not closed within four months after the date hereof and the Buyer has not waived that condition for Closing, then at such time the Buyer shall pay the Company $500,000 to purchase Units in accordance with the Operating Agreement at the per unit price calculated for the Sold Units hereunder, and such purchase of Units shall be the sole remedy for the failure to close the Intellectual Property and Marketing Agreement within four months after the date hereof as set forth in this Section 8.03(b).

SECTION 8.04. Notices. Any and all notices required or permitted to be given to a party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed to provide such party sufficient notice under this Agreement on the earliest of the following: (a) at the time of personal delivery, if delivery is in person; (b) at the time of transmission by facsimile, addressed to the other party at its facsimile number specified herein (or hereafter modified by subsequent notice to the parties hereto), with confirmation of receipt made by both telephone and printed confirmation sheet verifying successful transmission of the facsimile; (c) one Business Day after deposit with an express overnight courier for United States deliveries, or two Business Days after such deposit for deliveries outside the United States, in each case with proof of delivery from the courier requested; (d) three Business Days after deposit in the United States mail by certified mail (return receipt requested) for United States deliveries; or (e) at the time of sending an electronic mail, addressed to other party at the e-mail address specified herein.

All notices for delivery outside the United States will be sent by facsimile, electronic mail or by express courier. Notices by facsimile shall be machine verified as received. All notices not delivered personally or by facsimile or electronic mail will be sent with postage and/or other charges prepaid and properly addressed to the party to be notified at the address or facsimile number as follows, or at such other address or facsimile number as such other party may designate by one of the indicated means of notice herein to the other parties hereto, as follows:

if to the Buyer, to:

Spacenet Integrated Government Solutions Inc.
1750 Old Meadow Road,
McLean, VA 22102
USA

Attention: Susan Miller
Facsimile: +1 (703) 245-6302
E-mail: Susan.miller@spacenet.com

With copy to:

Gilat Satellite Networks Ltd.
21 Yegia Kapayim St., Kiryat Arye
Petach Tikva, Israel 49130

Attention: Rachel Prishkolnik, Adv.
Facsimile: +972 (3) 925-2945
E-mail: RachelP@gilat.com

And

Attention: Alon Levy, Adv.
Facsimile: +972 (3) 925-2945
E-mail: AlonL@gilat.com

and:

Amit, Pollak, Matalon & Co
NYP Tower, 19th Floor
17 Yitzhak Sadeh St.
Tel Aviv 6777
Israel

Attention: Daniel Marcus, Adv.
Facsimile: + 972 (3) 568-9017
E-mail: d_marcus@apm-law.com

if to the Company, to:

RaySat Antenna Systems, LLC
8460-d Tyco Road, Vienna
Virginia, 22182
USA

Attention: David Gross
Facsimile: + 1 (703) 584-3775
E-mail: david@rassys.com

with a copy to:

Nixon Peabody, LLP
401 9th Street NW, Suite 900
Washington, DC 20004-2128
USA

Attention: Mark A. Kass
Facsimile: +1 (202) 585-8080
E-mail: mkass@nixonpeabody.com

and

Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co.
One Azrieli Center
Round Building
Tel Aviv 67021
Israel

Attention: Nitzan Hirsch-Falk, Adv.
Facsimile: + 972 (3) 607-4422
E-mail: Nitzan@gkh-law.com

if to the Selling Members, to:

David Gross, c/o the Company
8460-d Tyco Road, Vienna
Virginia, 22182
USA

Facsimile: + 1 (703) 584-3775
E-mail: david@rassys.com

with a copy to:

Nixon Peabody, LLP
401 9th Street NW, Suite 900
Washington, DC 20004-2128
USA

Attention: Mark A. Kass
Facsimile: +1 (202) 585-8080
E-mail: mkass@nixonpeabody.com

SECTION 8.05. Interpretation. When a reference is made in this Agreement to an Article or to a Section, Subsection, Exhibit or Schedule, such reference shall be to an Article of, a Section or Subsection of, or an Exhibit or Schedule to, this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The term "or" is not exclusive. The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and such phrase shall not mean simply "if". The word "will" shall be construed to have the same meaning and effect as the word "shall". The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. Any agreement, instrument or Law defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or Law as from time to time amended, modified or supplemented. References to a Person are also to its permitted successors and assigns. References to days mean calendar days unless otherwise specified.

SECTION 8.06. 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 parties. If any signature is delivered by facsimile transmission or by PDF, such signature shall create a valid and binding obligation of the party executing (or on whose behalf the signature is executed) with the same force and effect as if such facsimile or PDF signature were an original thereof.

SECTION 8.07. Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

SECTION 8.08. Entire Agreement; No Third-Party Beneficiaries. This Agreement, the Indemnification Agreement, the Escrow Agreement and the other agreements referenced herein, (a) constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement and (b) are not intended to confer upon any Person other than the parties hereto and thereto any rights or remedies (other than, in the case of the Indemnification Agreement, the Indemnitees). Notwithstanding the foregoing, the RAS Inc. Principals shall be third party beneficiaries of this Agreement with respect to Article VII hereof.

SECTION 8.09. Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Delaware, without giving effect to the principles thereof relating to conflict of laws. The courts located in the Commonwealth of Virginia shall have exclusive jurisdiction over the parties and the subject matter in any matter arising out of or relating to this agreement. The Company and each of the Selling Members and the Selling Member Representative hereby irrevocably appoint Corporation Service Company, with an office at 11 South 12th Street, Richmond, Virginia 23218, as its agent to receive on behalf of each of them service of any legal process which may be served in all such actions and proceedings. Such service may be made by mail or delivery of such process to the Company, each of the Selling Members and the Selling Member Representative in care of such agent at the agent's address set forth above and the Company, each of the Selling Members and the Selling Member Representative hereby irrevocably authorize and direct such agent to accept such service on its behalf. The foregoing appointment of the service agent on behalf of the Company shall only apply with respect to the service of any legal process before the Closing Date.

SECTION 8.10. Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of Law or otherwise by any of the parties without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by, the parties and their respective successors and assigns.

SECTION 8.11. Enforcement. The Parties 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 an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Israeli court, this being in addition to any other remedy to which they are entitled at Law or in equity.

SECTION 8.12. Amendment. This Agreement may be amended by the Parties at any time. This Agreement may not be amended except by an instrument in writing executed on behalf of each of the Parties.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, each of the Buyer, the Company, the Selling Members and the Selling Members' Representative has caused this Agreement to be signed by its officers thereunto duly authorized as of the date first written above.

SPACENET INTEGRATED GOVERNMENT SOLUTIONS, INC.
By: _____

Name: _____

Title: _____

RAYSAT ANTENNA SYSTEMS, LLC
By: _____

Name: _____

Title: _____

DAVID GROSS
AS SELLING MEMBERS' REPRESENTATIVE

_____

DAVID GROSS
AS SELLING MEMBER

_____

ILAN KAPLAN
AS SELLING MEMBER

_____

SIMONA GAT
AS SELLING MEMBER

_____

ELLEN GOLD
AS SELLING MEMBER

_____

ROBERT GOLD
AS SELLING MEMBER

_____

DANIEL RUDOLPH
AS SELLING MEMBER

_____

ABBEY BLUM
AS SELLING MEMBER

_____

DAVID HELLER
AS SELLING MEMBER

_____

THE HAYAT PARNERSHIP
AS SELLING MEMBER

By: _____

Name: _____

Title: _____

MICHAEL BAUDRON
AS SELLING MEMBER

_____

SRD CAPITAL MANAMGEMENT, L.L.C
AS SELLING MEMBER

By: _____

Name: _____

Title: _____

YAIR TALMI
AS SELLING MEMBER

_____

JOHN CHRISTOPHER DRIES
AS SELLING MEMBER

_____

ROBERT M. GRIFFIN, III
AS SELLING MEMBER

_____

MARIO M. CASABONA
AS SELLING MEMBER

_____

Exhibit 4.4

SUMMARY OF MATERIAL PROVISIONS

of the Loan Documents Between First International Bank of Israel and the Company Dated December 14, 2010

1. Loan Amount: $40 million

2. Term: 10 years

3. Interest Rate: 4.77%

4. Repayment: Principal shall be repaid in 10 equal yearly installments commencing January 1, 2012. Interest shall be repaid every 6 months.

5. The loan is secured by a floating charge over the Company's assets, which shall remain until October 2012, at which time it shall be converted into a negative pledge. An additional security for the loan is a mortgage over our headquarters offices in Petah Tikva in favor of the bank.

6. Under the provisions of the loan, we undertook to satisfy two material covenants during the term of the loan**:** free cash of $15 million and a net debt to EBITDA ratio of 3.5. We believe that, as of December 31, 2010, we are in compliance with these two covenants.

7. Under the provisions of the loan, the following may be exercisable without the bank's consent: the Company may take additional credit from thirds parties, which may be secured by up to a $10 million first degree lien on any asset of the Company; Spacenet may take additional credit secured by up to a $30 million first degree lien on Spacenet's shares and assets; and other subsidiaries of the Company may take, in the aggregate, additional credit secured by up to $10 million first degree liens on such subsidiaries' assets.

Exhibit 8.1

SUBSIDIARIES OF GILAT SATELLITE NETWORKS LTD.

Gilat Satellite Networks Ltd. has the following significant wholly owned subsidiaries:

1. Spacenet Inc.	Delaware
2. StarBand Communications Inc.	Delaware
3. Gilat Satellite Networks (Holland) B.V.	Netherlands
4. Gilat Colombia S.A. E.S.P	Colombia
5. Gilat to Home Peru S.A	Peru
6. Gilat do Brazil Ltda	Brazil
7. Gilat Satellite Networks (Mexico) S.A. de C.V.	Mexico
8. Wavestream Corporation	Delaware
9. Raysat Antenna Systems LLC	Delaware
10. Raysat Antenna Systems Ltd.	Israel

Exhibit 12.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

I, Amiram Levinberg, certify that:

1. I have reviewed this annual report on Form 20-F of Gilat Satellite Networks Ltd.;

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 company as of, and for, the periods presented in this report;

4. The company'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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company'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

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):

   (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 company'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 company's internal control over financial reporting.

Date: April 12, 2011

/s/ Amiram Levinberg*
Amiram Levinberg
Chief Executive Officer
and Chairman of the Board of Directors

*The originally executed copy of this Certification will be maintained at the company's offices and will be made available for inspection upon request.

Exhibit 12.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Rule 13a-14(a)
under the Securities Exchange Act of 1934, as amended

I, Ari Krashin, certify that:

1. I have reviewed this annual report on Form 20-F of Gilat Satellite Networks Ltd.;

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 company as of, and for, the periods presented in this report;

4. The company'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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company'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

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent function):

   (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 company'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 company's internal control over financial reporting.

Date: April 12, 2011

/s/ Ari Krashin *
Ari Krashin
Chief Financial Officer

*The originally executed copy of this Certification will be maintained at the company's offices and will be made available for inspection upon request.

Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Gilat Satellite Networks Ltd. (the "Company") on Form 20-F for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Amiram Levinberg, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Amiram Levinberg*
Amiram Levinberg
Chief Executive Officer and
Chairman of the Board of Directors

April 12, 2011

*The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

This certification accompanies this Annual Report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Gilat Satellite Networks Ltd. (the "Company") on Form 20-F for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ari Krashin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Ari Krashin*
Ari Krashin
Chief Financial Officer

April 12, 2011

*The originally executed copy of this Certification will be maintained at the Company's offices and will be made available for inspection upon request.

This certification accompanies this Annual Report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form F-3 (Registration No. 333-160683) and the Registration Statements on Form S-8 (Registration Nos. 333- 158476, 333-96630, 333-132649, 333-123410, 333-113932, 333-08826, 333-10092, 333-12466 and 333-12988) of our reports dated April 12, 2011, with respect to the consolidated financial statements of Gilat Satellite Networks Ltd. and the effectiveness of internal control over financial reporting of Gilat Satellite Networks Ltd. included in this Annual Report on Form 20-F for the year ended December 31, 2010.

/s/ Kost Forer Gabbay and Kasierer

Kost Forer Gabbay and Kasierer
A Member of Ernst & Young Global

Tel-Aviv, Israel
April 12, 2011