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As filed with the Securities and Exchange Commission on March 22, 2002

Registration No. 333-82300

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

(Amendment No. 1)

VERINT SYSTEMS INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**7373**	**11-3200514**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

234 Crossways Park Drive
Woodbury, New York 11797
(516) 677-7300

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Dan Bodner
President and Chief Executive Officer
Verint Systems Inc.
234 Crossways Park Drive
Woodbury, New York 11797
(516) 677-7300

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Matthew D. Bloch, Esq. **Jeffrey Nadler, Esq.** **Weil, Gotshal & Manges LLP** **767 Fifth Avenue** **New York, New York 10153** **(212) 310-8000**	**Dennis J. Friedman, Esq.** **Barbara L. Becker, Esq.** **Anthony C. Providenti, Esq.** **Gibson, Dunn & Crutcher LLP** **200 Park Avenue** **New York, New York 10166** **(212) 351-4000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed maximum aggregate offering amount(2)	Amount of registration fee(3)
Common Stock, par value $.001 per share		$75,000,000	$6,900

(1) Includes Shares subject to underwriters' over-allotment option.
(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) promulgated under the Securities Act of 1933.
(3) The registration fee was paid on February 5, 2002.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

Subject to Completion, dated , 2002

PROSPECTUS

SHARES

VERINT SYSTEMS INC.

COMMON STOCK

This is our initial public offering of shares of our common stock. We are offering shares and the selling stockholder identified in this Prospectus is offering shares of our common stock. No public market for our common stock currently exists.

We anticipate that the initial public offering price will be between $ and $ per share. We have applied to have our common stock approved for quotation on the Nasdaq National Market under the symbol "VRNT".

Investing in our common stock involves risks. "Risk Factors" begin on page .

	Per Share	Total
Initial Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds, before expenses, to Verint Systems Inc.	$	$
Proceeds, before expenses, to the Selling Stockholder	$	$

We have granted the underwriters a 30 day option to purchase up to additional shares of our common stock to cover over-allotments, if any.

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

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about , 2002.

LEHMAN BROTHERS

SALOMON SMITH BARNEY

ROBERTSON STEPHENS

UBS WARBURG

U.S. BANCORP PIPER JAFFRAY

, 2002

[Artwork to be inserted]

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You should rely only on the information contained in this prospectus. We have not and the underwriters have not authorized any other person to provide you with information different from that contained in this prospectus. We and the selling stockholder are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

Until , 2002 (25 days after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the information set forth in "Risk Factors" before making an investment decision. In this prospectus, "Verint," "we," "us," and "our" refers to Verint Systems Inc. and its subsidiaries unless the context otherwise requires.

Verint Systems Inc.

We are a leading provider of analytic solutions for communications interception, digital video security and surveillance, and enterprise business intelligence. Our software generates actionable intelligence through the collection, retention and analysis of voice, fax, video, email, Internet and data transmissions from multiple types of communications networks.

Since the terrorist attacks of September 11, 2001, heightened awareness surrounding homeland defense and security, both in the United States and globally, has increased the demand for solutions such as ours. Recent legislative and regulatory actions have provided greater surveillance powers to law enforcement agencies, imposed strict requirements on communications service providers to facilitate interception of communications over public networks, and increased the security measures being implemented at airports and other public facilities. Demand for solutions such as ours has also been driven by the enormous growth in recent years in both the types and volume of communications.

We provide our solutions to two principal markets: the digital security and surveillance market and the enterprise business intelligence market.

Digital Security and Surveillance

The digital security and surveillance market consists primarily of communications interception by law enforcement agencies and digital video security utilized by government agencies and public and private organizations. Communications interception, historically referred to as wiretapping, is the monitoring and recording of voice and data transmissions to and from a specified target over communications networks to obtain intelligence and gather evidence. Video security is the monitoring and recording of surveillance camera transmissions to safeguard public and private facilities.

Our digital security and surveillance solutions include the STAR-GATE and RELIANT communications interception products and LORONIX digital video security products. STAR-GATE enables communications service providers to intercept communications over a variety of wireline, wireless and Internet protocol, or IP, networks for delivery to law enforcement and other government agencies, and is sold to communications service and equipment providers. RELIANT provides intelligent recording and analysis solutions for communications interception activities, and is sold to law enforcement and government agencies. LORONIX digital video security products provide intelligent recording and analysis of video for security and surveillance applications and are sold to government agencies and public and private organizations for use in airports, public buildings, correctional facilities and corporate sites.

Enterprise Business Intelligence

The enterprise business intelligence market consists primarily of solutions targeting enterprises that rely on contact centers for voice, email and Internet interactions with their customers. Additionally, an emerging segment of enterprise business intelligence utilizes digital video information to allow enterprises and institutions to enhance their operations, processes and performance. The pressure on companies to manage their businesses more effectively has fueled the demand for analytic technologies and enterprise business intelligence solutions that provide actionable intelligence to organizations in a quick, convenient and helpful manner. Actionable intelligence generated from enterprise business

intelligence solutions helps enterprises to service and retain customers, improve business processes and optimize contact center agent performance.

Our enterprise business intelligence solutions include ULTRA contact center business intelligence products and LORONIX video business intelligence products. Our ULTRA products record and analyze customer interactions with contact centers, providing enterprises with intelligence about customers, processes and contact center agents in order to monitor and improve business performance. Our LORONIX video business intelligence products enable enterprises to monitor and improve their operations through the analysis of live and recorded digital video. We sell our enterprise business intelligence solutions to financial institutions, casinos, retailers, utilities, communications service providers, contact center service bureaus, manufacturers and other enterprises.

Our Strategy

Our strategy is to further enhance our position as a leading provider of digital security and surveillance and enterprise business intelligence solutions worldwide. Key elements of our strategy include:

- Enhancing our technological leadership and expanding the analytic capabilities of our software;
- Focusing on new market opportunities;
- Leveraging our existing technologies into new markets and applications;
- Utilizing strategic alliances to enhance our products and increase our customer base; and
- Enhancing our relationships with systems integrators and software resellers.

We believe that we maintain a competitive advantage over industry participants in each of our markets as a result of our comprehensive product offerings, long-term customer relationships, established reputation in the industry, and extensive experience with and expertise in analytic solutions.

We maintain a global presence through our direct sales force. In addition, we have established marketing relationships with a variety of global value added resellers and a network of systems integrators, including ADT, Avaya, Nortel and Siemens. We also have technological alliances with leading software and hardware companies including Genesys, Siebel and Visionics, which enable us to offer complementary solutions to their products.

Our products are used by over 800 organizations in over 50 countries worldwide. Customers for our digital security and surveillance products include the U.S. Capitol, the U.S. Department of Defense, the U.S. Department of Justice, Washington Dulles International Airport, the Toronto Police Service, the Dutch National Police Agency, and other domestic and foreign law enforcement and intelligence agencies, as well as communications service and equipment providers, such as Cingular, Ericsson and Nortel. Customers for our enterprise business intelligence products include Con Edison, FedEx, HSBC, JC Penney, Sprint, Target and Tiffany & Co. None of our customers, including systems integrators and value added resellers, individually accounted for more than 5% of our revenues in fiscal 2001.

We are a subsidiary of Comverse Technology, Inc. We were incorporated in Delaware on February 23, 1994 as "Interactive Information Systems Corporation," and from January 1999 through January 2002 we were known as "Comverse Infosys, Inc." On February 1, 2002, we changed our name to "Verint Systems Inc." Our principal executive offices are located at 234 Crossways Park Drive, Woodbury, New York 11797. Our telephone number at that address is (516) 677-7300. Our website is www.verintsystems.com. The information contained on our website is not part of this prospectus.

THE OFFERING

Common stock offered by us	shares

Common Stock offered by selling stockholders	shares
Common stock to be outstanding after this offering	shares
Use of Proceeds	We intend to use the net proceeds to finance the growth of our business, working capital and for general corporate purposes and capital expenditures. We may use a significant portion of the proceeds to repay bank debt. We may also use a portion of the proceeds for acquisitions or other investments.
Proposed Nasdaq National Market symbol	"VRNT"

The common stock to be outstanding after this offering is based on the number of shares outstanding as of January 31, 2002, including 700,000 shares of common stock issuable upon the conversion of an outstanding convertible note upon the effectiveness of this offering and excluding:

- 14,250,646 shares of common stock issuable upon exercise of stock options outstanding as of January 31, 2002 under our stock option plan, with a weighted average exercise price of $1.42 per share;
- [ ] shares of common stock issuable upon the exercise of stock options granted under our stock option plan effective upon completion of this offering at an exercise price equal to the initial offering price;
- 9,358,423 shares available for future issuance under our stock option plan; and

ABOUT THIS PROSPECTUS

Unless otherwise indicated, the information in this prospectus:

- assumes an initial public offering price of $ per share (the midpoint of the price range set forth on the front cover of this prospectus);
- assumes no exercise of the underwriters' over-allotment option; and
- reflects a for reverse stock split of our common stock, which became effective on , 2002.

References in this prospectus to Comverse Technology refer to our controlling stockholder, Comverse Technology, Inc., and its subsidiaries excluding Verint Systems Inc. References in this prospectus to Comverse refer to our affiliate, Comverse, Inc. or any of its subsidiaries. Comverse, Inc. is a wholly-owned subsidiary of Comverse Technology.

In 1998, we changed our fiscal year from the calendar year to the fiscal year ending January 31. References in this prospectus to fiscal 1999 refer to our fiscal year ended January 31, 2000. References in this prospectus to fiscal 2000 refer to our fiscal year ended January 31, 2001. References in this prospectus to fiscal 2001 refer to our fiscal year ended January 31, 2002.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following table summarizes financial data regarding our business. You should read this information together with the consolidated financial statements and the notes to those statements appearing elsewhere in this prospectus. Financial data for the year ended December 31, 1997, the one-month period ended January 31, 1998 and the year ended January 31, 1999 are unaudited. See "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,	One Month Ended January 31,	Year Ended January 31,			
	1997	1998	1999	2000	2001	2002
	(in thousands, except per share data)					
Statement of Operations Data:						
Sales	$ 58,865	$ 758	$ 89,282	$ 120,612	$ 141,677	$ 131,235
Loss from operations	(10,962)	(5,796)	(10,626)	(9,548)	(7,565)[1]	(2,533)[2]
Net loss	(11,627)	(5,866)	(11,659)	(10,544)	(8,559)[1]	(4,649)[2]
Net loss per share: Basic and diluted	$ (0.12)	$ (0.06)	$ (0.12)	$ (0.11)	$ (0.09)	$ (0.05)
Shares used in computing basic and diluted net loss per share	95,140	95,140	95,140	95,144	95,577	95,899

(1) Includes merger expenses of approximately $3,510 and restructuring and impairment charges of approximately $3,714.

(2) Includes restructuring and impairment charges of approximately $2,754.

The following table summarizes our balance sheet as of January 31, 2002:

- on an actual basis; and

- on a pro forma basis to give effect to the conversion of a convertible note upon effectiveness of this offering, and as adjusted basis to give effect to the sale of shares in this offering, at an assumed offering price of $ per share, after deducting the underwriting discounts and estimated offering expenses, and our anticipated application of the net proceeds of the offering.

	As of January 31, 2002	
	Actual	Pro Forma as Adjusted
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 49,860	$
Working capital	41,160	
Total assets	116,726	
Long-term bank loans, including current maturities	43,623	
Stockholders' equity	18,735	

RISK FACTORS

Investing in our common stock involves a high degree of risk. Before purchasing our shares, you should carefully consider the risks described below in addition to the other information in this prospectus. Our business, results of operations and financial condition may be materially and adversely affected due to any of the following risks. The trading price of our shares could decline due to any of these risks, and you could lose all or part of your investment.

Risks Related to Our Business and Industry

We have incurred operating and net losses every year since 1997. We may not operate profitably in the future.

We reported net losses of $10.5 million for fiscal 1999, $8.6 million for fiscal 2000 and $4.6 million for fiscal 2001. As of January 31, 2002, our accumulated deficit was $45.0 million. If our sales do not increase as anticipated or if our expenses increase at a greater pace than our revenues, we will not become profitable. Even if we become profitable, we may not be able to sustain or increase profitability on a quarterly or annual basis.

The recent global economic slowdown and the decline in information technology spending has adversely impacted our markets and revenues. Any further decline in information technology spending may result in a further decrease in our revenues.

The information technology industry has been particularly affected by worldwide conditions of economic weakness, causing many companies to reduce or in extreme cases eliminate altogether, information technology spending. During fiscal 2001, we experienced reduced demand for certain of our solutions and our revenues decreased from $141.7 million in fiscal 2000 to $131.2 million in fiscal 2001. If our current and prospective customers do not increase their spending on information technology or if such spending declines, our revenues may decrease even further. The information technology spending of our customers in the near term remains uncertain. Accordingly, we cannot assure you that we will be able to increase or maintain our revenues.

Our lengthy and variable sales cycle makes it difficult for us to predict our operating results.

It is difficult for us to forecast the timing of revenues from sales of our products because our customers often need a significant amount of time to evaluate our products before purchasing them. The period between initial customer contact and a purchase by a customer may vary from six months to more than one year. During the evaluation period, customers may defer or scale down proposed orders of our products for various reasons, including:

- changes in budgets and purchasing priorities;
- reduced need to upgrade existing systems;
- customer deferrals in anticipation of enhancements or new products;
- introduction of products by our competitors; and
- lower prices offered by our competitors.

Because our quarterly operating results may fluctuate significantly and may be below the expectations of analysts and investors, the market price for our stock may be volatile.

Our quarterly operating results are difficult to predict and may fluctuate significantly in the future. As a result, our stock price may be volatile. The following factors, many of which are outside our control, can cause fluctuations in our operating results and volatility in our stock price:

- the size, timing, terms and conditions of orders from and shipments to our customers;

- unanticipated delays or problems in releasing new products;
- the timing and success of our customers' deployment of our products and services; and
- the amount and timing of our investments in research and development activities.

The deferral or loss of one or more significant sales could materially and adversely affect our operating results in any fiscal quarter, particularly if there are significant sales and marketing expenses associated with the deferred or lost sales. We base our current and future expense levels on our internal operating plans and sales forecasts, and our operating costs are to a large extent fixed. As a result, we may not be able to sufficiently reduce our costs in any quarter to compensate for an unexpected near-term shortfall in revenues.

If the markets for our products do not develop, we will not be able to maintain our growth.

The markets for our digital security and surveillance and enterprise business intelligence products are still emerging. Our growth is dependent on, among other things, the size and pace at which the markets for our products develop. If the markets for our products decrease, remain constant or grow slower than we anticipate, we will not be able to maintain our growth. Continued growth in the demand for our products is uncertain as, among other reasons, our customers and potential customers may:

- not achieve a return on their investment in our products;
- experience technical difficulty in utilizing our products; or
- use alternative solutions to achieve their security, intelligence or business objectives.

In addition, as our enterprise business intelligence products are sold primarily to contact centers, slower than anticipated growth or a contraction in the number of contact centers will have an adverse effect on our ability to maintain our growth.

The industry in which we operate is characterized by rapid technological changes, and our continued success will depend upon our ability to react to such changes.

The markets for our products are characterized by rapidly changing technology and evolving industry standards. The introduction of products embodying new technology and the emergence of new industry standards can render our existing products obsolete and unmarketable and can exert price pressures on existing products. It is critical to our success for us to be able to anticipate changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis. We cannot assure you that we will successfully develop new products or introduce new applications for existing products, that new products and applications will achieve market acceptance or that the introduction of our new products or technological developments by others will not render our products obsolete. Our inability to develop products that are competitive in technology and price and meet customer needs could have a material adverse effect on our business, financial condition or results of operations.

If we are unable to compete successfully or if our customers opt to develop internal substitutes for our products, our business, financial condition and results of operations could suffer.

The global market for analytical solutions for security and business applications is intensely competitive, both in the number and breadth of competing companies and products and the manner in which products are sold. For example, we often compete for customer contracts through a competitive bidding process that subjects us to risks associated with:

- the frequent need to bid on programs in advance of the completion of their design, which may result in unforeseen technological difficulties and cost overruns; and
- the substantial time and effort, including design, development and marketing activities, required to prepare bids and proposals for contracts that may not be awarded to us.

Our competitors may be able to develop more quickly or adapt faster to new or emerging technologies and changes in customer requirements, or devote greater resources to the development, promotion and sale of their products. Some of our competitors have, in relation to us, longer operating histories, larger customer bases, longer standing relationships with customers, greater name recognition and significantly greater financial, technical, marketing, customer service, public relations, distribution and other resources. New competitors or alliances among competitors could emerge and rapidly take significant market share. In addition, some of our customers may in the future decide to develop internally their own solutions instead of purchasing them from us. Increased competition could force us to lower our prices or take other actions to differentiate our products.

We are dependent on contracts with governments for a significant portion of our revenues.

Revenues derived from government contracts accounted for approximately 21%, 22% and 26% of our revenues for fiscal 1999, fiscal 2000 and fiscal 2001, respectively. We expect that government contracts will continue to be a significant source of our revenues for the foreseeable future. Our business generated from government contracts may be adversely affected if:

- levels of government expenditures and authorizations for law enforcement and security related programs decrease, remain constant 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 procurement laws or regulations;
- we are not granted security clearances that are required to sell our products to domestic or foreign governments or such security clearances are revoked;
- our reputation or relationship with government agencies is impaired;
- there is a change in government procurement procedures; or
- we are suspended from contracting with a domestic or foreign government or any significant law enforcement agency.

Our proxy agreement with the U.S. Department of Defense limits our control over one of our subsidiaries. If this agreement is terminated, we may be suspended from selling our communications interception products to the U.S. government.

Our subsidiary, Verint Technology Inc., or Verint Technology, which markets, sells and supports our communications interception solutions to various U.S. government agencies, is required by the National Industrial Security Program to maintain facility security clearances and to be insulated from foreign ownership, control or influence. To comply with the National Industrial Security Program requirements, in January 1999 we, Verint Technology, Comverse Technology and the Department of Defense entered into a proxy agreement with respect to the ownership and operations of Verint Technology. Under the proxy agreement, we,

among other things, appointed three individuals who are U.S. citizens holding the requisite security clearances as holders of proxies to vote the Verint Technology stock. The proxy holders have the power to exercise all prerogatives of ownership of Verint Technology. These three individuals are responsible for the oversight of Verint Technology's security arrangements.

The proxy agreement may be terminated and Verint Technology's facility security clearance may be revoked in the event of a breach of the proxy agreement, or if it is determined by the Department of Defense that termination is in the national interest. If Verint Technology's facility security clearance is revoked, we may lose all or a substantial portion of our sales to U.S. government agencies and our business, financial condition and results of operations would be harmed.

Our government contracts contain provisions that are unfavorable to us.

Many of our government contracts contain provisions that give the government rights and remedies not typically found in private commercial contracts, including provisions enabling the government to:

- terminate or cancel our existing contracts for convenience;
- suspend us from doing business with a foreign government or prevent us from selling our products in certain countries;
- audit and object to our contract-related costs and expenses, including allocated indirect costs; and
- change specific terms and conditions in our contracts, including changes that would reduce the value of our contracts.

In addition, many jurisdictions have laws and regulations that deem government contracts in those jurisdictions to include these types of provisions, even if the contract itself does not contain them. If a government terminates a contract with us for convenience, we may not recover our incurred or committed costs, any settlement expenses or profit on work completed prior to the termination. If a government terminates a contract for default, we may not recover even those amounts, and instead we may be liable for any costs incurred by a government in procuring undelivered items and services from another source.

If we fail to comply with complex procurement laws and regulations, we may be subject to civil and criminal penalties and administrative sanctions.

We must comply with domestic and foreign laws and regulations relating to the formation, administration and performance of government contracts. These laws and regulations affect how we do business with government agencies in various countries and may impose added costs on our business. For example, in the United States, we are subject to the Federal Acquisition Regulations, which comprehensively regulate the formation, administration and performance of federal government contracts, and to the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with contract negotiations. We are subject to similar regulations in foreign countries as well.

If a government review or investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or debarment from doing business with government agencies, which could materially and adversely affect our business, financial condition and results of operations. In addition, a government may reform its procurement practices or adopt new contracting rules and regulations that could be costly to satisfy or that could impair our ability to obtain new contracts.

Government regulation of communications monitoring could cause a decline in the use of our products, result in increased expenses for us or subject us and our customers to liability.

As the communications industry continues to evolve, governments may increasingly regulate products that monitor and record voice, video and data transmissions over public communications networks, such as our solutions. For example, products which we sell to law enforcement agencies and which interface with a variety of wireline, wireless and Internet protocol networks must comply in the United States with the technical standards established by the Federal Communications Commission pursuant to the Communications Assistance for Law Enforcement Act and in Europe by the European Telecommunications Standard Institute. The adoption of new laws governing the use of our products or changes made to existing laws could cause a decline in the use of our products and could result in increased expenses for us, particularly if we are required to modify or redesign our products to accommodate these new or changing laws.

We may not be able to receive or retain the necessary licenses or authorizations required for us to export some of our products that we develop or manufacture in specific countries.

We are required to obtain export licenses from the Israeli and German governments to export some of our products that we develop or manufacture in these countries. Products which accounted for approximately 27%, 22% and 21% of our revenues in fiscal 1999, fiscal 2000 and fiscal 2001, respectively, required an export license. We cannot assure you that we will be successful in obtaining the licenses and other authorizations required to export our products from applicable governmental authorities. Our failure to receive any required export license or authorization would hinder our ability to sell our products and could adversely affect our business, financial condition and results of operations.

If we are unable to maintain our relationships with value added resellers, or VARs, systems integrators and other third parties that market and sell our products, our business, financial condition, results of operations and ability to grow could suffer.

Sales through VARs, systems integrators and other third parties accounted for approximately 33%, 40% and 38% of our revenues in fiscal 1999, fiscal 2000 and fiscal 2001, respectively. Our ability to achieve revenue growth depends to some extent on adding new partners to expand our sales channels, as well as leveraging our relationships with existing partners. If our relationships with these value added resellers, systems integrators and strategic and technology partners deteriorate or terminate, we may lose important sales and marketing opportunities.

Our failure to develop strategic alliances or expand or implement new joint ventures could limit our ability to grow.

As part of our growth strategy, we intend to pursue new strategic alliances. We consider and engage in strategic transactions from time to time and may be evaluating alliances or joint ventures at any time. We compete with other analytic solution providers for these opportunities. We cannot assure you that we will be able to effect these transactions on commercially reasonable terms or at all. If we enter into these transactions, we also cannot be sure that we will realize the benefits we anticipate.

Our products may contain undetected defects which could impair their market acceptance.

We offer complex products that may contain undetected defects or errors, particularly when first introduced or as new versions are released. We may not discover such defects or errors until after a product has been released and used by the customer. We may incur significant costs to correct undetected defects or errors in our products and these defects or errors could result in future lost sales. In addition, defects or errors in our products may result in product liability claims brought against us, which could cause adverse publicity and impair their market acceptance.

Our intellectual property rights may not be adequate to protect our business.

While we occasionally file patent applications, we cannot assure you that patents will be issued on the basis of such applications or that, if such patents are issued, they will be sufficiently broad to protect our technology. In addition, we cannot assure you that any patents issued to us will not be challenged, invalidated or circumvented.

In order to safeguard our unpatented proprietary know-how, trade secrets and technology, we rely primarily upon trade secret protection and non-disclosure provisions in agreements with employees and others having access to confidential information. We cannot assure you that these measures will adequately protect us from disclosure or misappropriation of our proprietary information.

Loss of third party software licensing would materially and adversely affect our business, financial condition and results of operations.

We incorporate in all of our products software that we license from third parties. If we lose or are unable to maintain any software licenses, we could incur additional costs or experience unexpected delays until equivalent software can be developed or licensed and integrated into our products.

Our products may infringe on the intellectual property rights of others, which could lead to costly disputes or disruptions.

The information technology industry is characterized by frequent allegations of intellectual property infringement. In the past, third parties have asserted that certain of our products infringe their intellectual property and they may do so in the future. Any allegation of infringement against us could be time consuming and expensive to defend or resolve, result in substantial diversion of management resources, cause product shipment delays, or force us to enter into royalty or license agreements rather than dispute the merits of such allegation. If patent holders or other holders of intellectual property initiate legal proceedings against us, we may be forced into protracted and costly litigation. We may not be successful in defending such litigation and we may not be able to procure any required royalty or license agreements on terms acceptable to us, or at all.

If our products infringe on the intellectual property rights of others, we may be required to indemnify our customers for any damages they suffer.

We generally indemnify our customers with respect to infringement by our products of the proprietary rights of third parties. Third parties may assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers, regardless of the merits of these claims. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using, or in the case of value added resellers selling, our products.

The recent change of our name may confuse our customers and harm our business.

On February 1, 2002, we changed our company name from Comverse Infosys, Inc. to Verint Systems Inc. We are also in the process of phasing out the Comverse Infosys name and trademark and introducing a new trademark. The change of our name may be costly to implement, may confuse our customers or may result in lost sales. Our new name may not achieve the market acceptance and name recognition of our former name.

We rely on a limited number of suppliers and manufacturers for specific components and we may not be able to obtain substitute suppliers and manufacturers on terms that are as favorable if our supplies are interrupted.

Although we generally use standard parts and components in our products, we rely on non-affiliated suppliers for the supply of certain components and on manufacturers of assemblies that are incorporated in all of our products. We do not have any long term supply or manufacturing agreements with any of these suppliers or manufacturers. If these suppliers or manufacturers experience financial, operational, manufacturing capacity or quality assurance difficulties, or if there is any other disruption in our relationships, we will be required to locate alternative sources of supply.

Our inability to obtain sufficient quantities of these components, if and as required in the future entails the following risks:

- Delays in delivery or shortages in components could interrupt and delay manufacturing and result in cancellations of orders for our products;
- Alternative suppliers could increase component prices significantly and with immediate effect;
- We may not be able to develop alternative sources for product components;
- We may be required to modify our products, which may cause delays in product shipments, increased manufacturing costs and increased product prices; and
- We may be required to hold more inventory than we otherwise might in order to avoid problems from shortages or discontinuance.

Acquisitions or investments that we have made or may decide to make in the future could turn out to be unsuccessful.

On February 1, 2002, we acquired the digital video recording business of Lanex, LLC. If we are unable to successfully integrate Lanex with our business, we may be unable to realize the anticipated benefits of this acquisition. We may experience technical difficulties that could delay the integration of Lanex's products into our solutions, resulting in a disruption of our business.

We may in the future pursue acquisitions of businesses, products and technologies, or the establishment of joint venture arrangements. The negotiation of potential acquisitions or joint ventures as well as the integration of an acquired or jointly developed business, technology or product could result in a substantial diversion of management resources. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, amortization of certain identifiable intangible assets, research and development write-offs and other acquisition-related expenses. In addition, we may also fail to successfully integrate acquired businesses with our operations or successfully realize the intended benefits of any acquisition.

Our failure to hire and retain qualified personnel could limit our ability to grow.

We depend on the continued services of our executive officers and other key personnel. In addition, we may need to attract and retain a substantial number of new employees, particularly sales and marketing personnel and technical personnel, who understand and have experience with our products and services. If we are unable to attract and retain qualified employees, our ability to grow could be impaired. Competition for personnel in our industry is intense, and we have experienced difficulty in recruiting qualified personnel due to the market demand for their services. We have also experienced difficulty in locating qualified candidates within desired geographic locations and on occasion we have had to relocate personnel to fill positions in locations where we could not attract qualified experienced personnel.

Risks Relating to Our International Operations

Because we have significant foreign operations, we are subject to risks that could adversely affect our business.

We conduct significant sales and research and development operations in foreign countries, including in Israel, the United Kingdom and Germany, and we intend to continue to expand our operations internationally. Our business may suffer if we are unable to successfully expand and

maintain foreign operations. Our foreign operations are, and any future foreign expansion will be, subject to a variety of risks, many of which are beyond our control, including risks associated with:

- foreign currency fluctuations;
- customizing products for foreign countries;
- political and economic instability in foreign countries;
- potentially adverse tax consequences of operating in foreign countries;
- legal uncertainties regarding liability, export and import restrictions, tariffs and other trade barriers;
- compliance with local laws and regulations, including labor laws, employee benefits, currency restrictions and other requirements;
- hiring qualified foreign employees; and
- difficulty in accounts receivable collection and longer collection periods.

Our international operations subject us to currency exchange fluctuations.

To date, most of our sales have been denominated in U.S. dollars, while a significant portion of our expenses, primarily labor expenses in Israel, Germany and the United Kingdom, are incurred in the local currencies of these countries. As a result, we are exposed to the risk that fluctuations in the value of these currencies relative to the U.S. dollar could increase the dollar cost of our operations in Israel, Germany or the United Kingdom and would therefore have an adverse effect on our results of operations.

In addition, since a portion of our sales are made in foreign currencies, primarily the British pound and the Euro, fluctuation in the value of these currencies relative to the U.S. dollar could decrease our revenues and adversely effect our results of operations.

Conditions in Israel may adversely affect our operations and may limit our ability to produce and sell our products.

Operations in Israel accounted for approximately 40%, 36%, and 44% of our operating expenses in fiscal 1999, fiscal 2000 and fiscal 2001, respectively. Political, economic and military conditions in Israel directly affect our operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, and the continued state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. Since October 2000, there has been a significant increase in violence, primarily in the West Bank and Gaza Strip, and more recently Israel has experienced terrorist incidents within its borders. As a result, negotiations between Israel and representatives of the Palestinian Authority have been sporadic and have failed to result in peace. We could be adversely affected by hostilities involving Israel, the interruption or curtailment of trade between Israel and its trading partners, or a significant downturn in the economic or financial condition of Israel. In addition, several countries continue to restrict business with Israel and with companies having operations in Israel. We could be negatively affected by adverse developments in the peace process, including the recent violence, or by restrictive laws or practices directed towards Israel or companies having operations in Israel.

In addition, some of our employees in Israel are subject to being called upon to perform military service in Israel, and their absence may have an adverse effect upon our operations. Generally, unless exempt, male adult citizens and permanent residents of Israel under the age of 54 are obligated to

perform up to 36 days of military reserve duty annually. Additionally, all such residents are subject to being called to active duty at any time under emergency circumstances.

These conditions could disrupt our operations in Israel and our business, financial condition and results of operations could be adversely affected.

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

We receive grants from the Government of Israel through the Office of the Chief Scientist of the Ministry of Industry and Trade for the financing of a portion of our research and development expenditures in Israel. In fiscal 1999, fiscal 2000 and fiscal 2001, we received grants totaling $4.8 million, $7.5 million and $5.8 million, respectively, representing 18.5%, 34.5% and 27.6%, respectively, of our total research and development expenditures in these periods. The terms of these grants limit our ability to manufacture products, and prohibit us from transferring technologies, outside of Israel if such products or technologies were developed using these grants. Even if we receive approval to manufacture products developed using these grants outside of Israel, we may be required to pay a significantly increased amount of royalties on an accelerated basis to the Government of Israel, depending on the manufacturing volume that is performed outside of Israel. This restriction may impair our ability to outsource manufacturing or engage in similar arrangements for those products or technologies. In addition, if we fail to comply with any of the conditions imposed by the Office of the Chief Scientist, we may be required to refund any grants previously received together with interest and penalties, and we may be subject to criminal charges. In recent years, the Government of Israel has accelerated the rate of repayment of Chief Scientist grants and may further accelerate them in the future. Further, the Government of Israel has reduced the benefits available under these programs in recent years and these programs may be discontinued or curtailed in the future. If the Government of Israel ends these programs, our business, financial condition and results of operations could be adversely affected.

Tax benefits we receive in Israel may be reduced or eliminated in the future.

Our investment program in manufacturing equipment and leasehold improvements at our facility in Israel has been granted approved enterprise status and we are therefore eligible for tax benefits under the Israeli Law for Encouragement of Capital Investments. From time to time, the Government of Israel has discussed reducing or eliminating the tax benefits available to approved enterprise programs such as ours. We cannot assure you that these tax benefits will be continued in the future at their current levels or at all. If these tax benefits are reduced or eliminated, the amount of taxes that we pay in Israel will increase.

Risks Related to Our Relationship with Comverse Technology

Comverse Technology will control our business and affairs and its interests may not be aligned with our interests and those of our stockholders.

Upon completion of the offering, Comverse Technology will beneficially own approximately % of our outstanding shares of common stock. Consequently, Comverse Technology will effectively control the outcome of all matters submitted for stockholder action, including the composition of our board of directors and the approval of significant corporate transactions. Through its representation on our board of directors, Comverse Technology will have a controlling influence on our management, direction and policies, including the ability to appoint and remove our officers. As a result, Comverse Technology may cause us to take actions which may not be aligned with our interests or those of our

other stockholders. For example, Comverse Technology may prevent or delay any transaction involving a change in control or in which stockholders might receive a premium over the prevailing market price for their shares.

We obtain certain key services from Comverse Technology and its subsidiaries. If such services are terminated, we may be required to incur additional expenses to obtain similar services from other sources.

We receive legal, insurance and other administrative services from Comverse Technology under a corporate services agreement. Our enterprise resource planning software is maintained and supported on our behalf by Comverse under an enterprise resource planning software sharing agreement. We also obtain personnel and facility services from Comverse under a satellite services agreement. If these agreements are terminated, we may be required to obtain similar services from other entities or, alternatively, we may be required to hire qualified personnel and incur other expenses to obtain these services. We may not be able to hire such personnel or to obtain comparable services at prices and on terms as favorable as we currently have under these agreements.

We may lose business opportunities to Comverse Technology that might otherwise be available to us.

We have entered into a business opportunities agreement with Comverse Technology which addresses potential conflicts of interest between Comverse Technology and us. This agreement allocates between Comverse Technology and us opportunities to pursue transactions or matters that, absent such allocation, could constitute corporate opportunities of both companies. As a result, we may lose business opportunities that could be valuable to us. In general, we are precluded from pursuing opportunities offered to officers or employees of Comverse Technology who may also be our directors, officers or employees, unless Comverse Technology fails to pursue these opportunities. See "Certain Relationships and Related Party Transactions—Business Opportunities Agreement."

Our directors that also hold positions with Comverse Technology may have conflicts of interest with respect to matters involving both companies.

Upon completion of this offering five of our ten directors will be officers and/or directors of Comverse Technology, or otherwise affiliated with Comverse Technology. These directors will have fiduciary duties to both companies and may have conflicts of interest on matters affecting both us and Comverse Technology and in some circumstances may have interests adverse to us. Our Chairman, Mr. Kobi Alexander, will continue to be the chairman of Comverse Technology following the offering. This position with Comverse Technology will continue to impose significant demands on Mr. Alexander's time and present potential conflicts of interest.

So long as we are included in Comverse Technology's consolidated group for tax purposes, we are potentially liable for taxes not our own.

After this offering is completed we expect that we will continue to be included in the Comverse Technology consolidated group for federal income tax purposes and we will not file our own federal income tax return. To the extent Comverse Technology or other members of the group fail to make any federal income tax payments required of them by law in respect of years for which Comverse Technology files a consolidated federal income tax return which includes us we would be liable for the shortfall. Similar principles apply for state income tax purposes in many states. In addition, by virtue of its controlling ownership and its tax sharing agreement with us, Comverse Technology effectively controls all of our tax decisions. For so long as we are included in the Comverse Technology consolidated group for federal income tax purposes, Comverse Technology has sole authority to respond to and conduct all federal income tax proceedings and audits relating to us, to file all federal income tax returns on our behalf and to determine the amount of our liability to, or entitlement to

payment from, Comverse Technology under our tax sharing agreement. Despite this agreement, federal law provides that each member of a consolidated group is liable for the group's entire tax obligation and we could, under certain circumstances, be liable for taxes of other members of the Comverse Technology consolidated group.

For a discussion of our relationship with Comverse Technology, see "Related Party Transactions—Relationship with Comverse Technology and its Subsidiaries."

Risks Related To This Offering

There has been no prior market for our common stock. Our stock price is likely to be highly volatile and could drop unexpectedly.

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that an active trading market will develop or be sustained after this offering. The initial public offering price for our common stock may not be representative of the price that will prevail in the open market.

Recently, the stock market has experienced significant price and volume fluctuations. Market prices of securities of technology companies particularly following an initial public offering, have been highly volatile and frequently reach levels that bear no relationship to the operating performance of such companies. These market prices generally are not sustainable and are subject to wide variations. Our stock price may experience similar volatility. If our common stock trades to unsustainably high levels following this offering, it is likely that the market price of our common stock will thereafter experience a material decline.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. We could be the target of similar litigation in the future. Securities litigation could cause us to incur substantial costs, divert management's attention and resources, harm our reputation in the industry and the securities markets and reduce our profitability.

Future sales of our common stock may hurt our market price.

A substantial number of shares of our common stock will be available for resale within a short period of time after the offering. If our stockholders sell substantial amounts of our common stock in the public market following the offering, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity securities in the future at times and prices that we deem appropriate.

We, all of our officers and directors, Comverse Technology and some of our other stockholders have agreed not to offer, sell or otherwise dispose of any shares of capital stock or any securities which may be converted into or exchanged for any shares of our capital stock for a period of 180 days from the date of this prospectus. However, the underwriters may waive this restriction and allow us or them to sell shares at any time. Shares of common stock subject to these lock-up agreements will become eligible for sale in the public market upon expiration of these lock-up agreements, subject to limitations imposed by Rule 144 under the Securities Act of 1933.

We have entered into a registration rights agreement with Comverse Technology. For a discussion of the registration rights agreement, see "Certain Relationships and Related Transactions—Relationship with Comverse Technology and its Subsidiaries."

Our management may spend or invest a substantial portion of the net proceeds of this offering in ways with which you might not agree.

We have broad discretion to determine the allocation of our net proceeds from this offering. You will not have an opportunity to evaluate the economic, financial or other information upon which we base our decisions on how to use these proceeds and, subject to certain exceptions, our management will be able to use and allocate the net proceeds without first obtaining stockholder approval.

Terrorist attacks and other acts of war may adversely affect the markets on which our common stock trades, the markets in which we operate, our operations and our profitability.

Terrorist attacks and other acts of war, and any response to them, may lead to armed hostilities and such developments would likely cause instability in financial markets. Armed hostilities and terrorism may directly impact our facilities, personnel and operations which are located in the United States, Israel, Europe, the Far East, Australia and South America, as well as those of our clients. Furthermore, severe terrorist attacks or acts of war may result in temporary halts of commercial activity in the affected regions, and may result in reduced demand for our products. These developments could have a material adverse effect on our business and the trading price of our common stock.

Provisions of our certificate of incorporation and Delaware law may make it more difficult for you to receive a change in control premium.

Our board's ability to designate and issue up to shares of preferred stock and issue up to shares of common stock could adversely affect the voting power of the holders of common stock, and could have the effect of making it more difficult for a person to acquire, or could discourage a person from seeking to acquire, control of our company. If this occurred you could lose the opportunity to receive a premium on the sale of your shares in a change of control transaction.

In addition, the Delaware General Corporation Law contains provisions that would have the effect of restricting, delaying and/or preventing altogether certain business combinations with any person who, after this offering becomes an interested stockholder. Interested stockholders include, among others, any person who, together with affiliates and associates, owns, or within three years did own, 15% or more of a corporation's voting stock. These provisions could also limit your ability to receive a premium in a change of control transaction.

FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this prospectus, including in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities and the effects of competition and regulation. Forward-looking statements include all statements that are not historical facts. You can identify these statements by the use of forward-looking terminology, such as the words "believes," "expects," "anticipates," "intends," "plans," "estimates," "may" or "might" or other similar expressions.

Forward-looking statements involve significant risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking statements are reasonable, actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we distribute this prospectus, even if new information becomes available or other events occur in the future. You should understand that many important factors, in addition to those discussed in the section entitled "Risk Factors" and elsewhere in this prospectus, could cause our results to differ materially from those expressed or suggested in forward-looking statements.

USE OF PROCEEDS

We expect to receive net proceeds of $ million from this offering after deducting the underwriting discount and estimated offering expenses. If the underwriters' over-allotment option is exercised in full, our estimated net proceeds will be $ million. We will not receive any of the proceeds from the sale of shares by the selling stockholder.

We intend to use the net proceeds to finance the growth of our business, for working capital, for general corporate purposes and capital expenditures. We may use a significant portion of the proceeds to repay bank debt, including indebtedness in the original principal amount of $42 million that is guaranteed by Comverse Technology. This bank debt bears interest at a rate of LIBOR plus 0.55%, matures in February 2003 and may be prepaid without penalty at the end of any interest period. We may also use a portion of the proceeds for acquisitions or other investments. However, we have no present understanding or agreement relating to any specific acquisition or investment.

We have not yet determined the amount of net proceeds to be used specifically for each of the foregoing purposes. Accordingly, our management will have significant flexibility in applying the net proceeds of the offering. Pending their use as described above, we may invest the net proceeds of this offering in interest-bearing investment-grade instruments or bank deposits.

DIVIDEND POLICY

We do not expect to pay any cash dividends for the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and for the expansion of our business.

Any future determination to pay cash dividends will be at the discretion of the board of directors and will depend upon our financial condition, operating results, capital requirements and such other factors as the board of directors deems relevant.

CAPITALIZATION

The following table sets forth, as of January 31, 2002, our capitalization:

- on an actual basis;
- on a pro forma basis to give effect to the conversion of a convertible note upon effectiveness of this offering; and
- on a pro forma as adjusted basis to give effect to the conversion of a convertible note upon effectiveness of this offering and sale of the shares offered by us in this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, and the application of the net proceeds therefrom.

Please read this table together with the sections of this prospectus entitled "Selected Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included in this prospectus.

	As of January 31, 2002		
	Actual	Pro Forma	Pro Forma as Adjusted
		(in thousands)	
Cash and cash equivalents	$ 49,860	$ 49,860	$
Long-term bank loans, including current maturities	$ 43,623	$ 43,623	$ 43,623
Stockholders' equity:			
Common Stock, $0.001, 300,000,000 shares authorized; 96,530,836 shares issued and outstanding on an actual basis; and 97,230,836 shares issued and outstanding on a pro forma basis and [ ] shares on a pro forma as adjusted basis	$ 97	$ 97	$
Additional paid-in capital	63,369	65,569	
Accumulated deficit	(45,002)	(45,002)	(45,002)
Cumulative translation adjustment	271	271	271
Total stockholders' equity	18,735	20,935	
Total capitalization	$ 62,358	$ 64,558	$

The table excludes:

- 14,250,646 shares of common stock issuable upon the exercise of stock options outstanding as of January 31, 2002 under our stock option plan, with a weighted average exercise price of $1.42 per share;
- shares of common stock issuable upon the exercise of stock options granted under our stock option plan upon completion of this offering at an exercise price equal to the initial offering price; and
- 9,358,423 shares available for future issuance under our stock option plan.

DILUTION

Our net tangible book value as of January 31, 2002, was $18,645,000 or approximately $0.19 per share. Net tangible book value represents the amount of tangible assets reduced by the total liabilities, divided by the number of shares of common stock outstanding as of January 31, 2002. After giving effect to our sale of the shares in this offering and receipt of the net proceeds from this offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value as of January 31, 2002, would have been $, or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution in net tangible book value of $ per share to new investors.

Dilution per share represents the difference between the price per share to be paid by new investors and the net tangible book value per share immediately after this offering. The following table illustrates this per share dilution:

	Per Share	Per Share
Assumed initial public offering price per share		$
Net tangible book value per share before the offering	$ 0.19	
Increase per share attributable to new investors		
Net tangible book value per share after this offering		
Dilution per share to new investors		

The following table sets forth as of January 31, 2002, the difference between (1) the number of shares of common stock purchased, (2) the total consideration paid and (3) the average price paid per share by existing stockholders and by the new investors purchasing shares of common stock in this offering, before deducting underwriting discounts, commissions and other estimated offering expenses:

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price Per Share
Existing stockholders	96,530,836	%		%	$
New investors					

Total		100%		100%	$

The foregoing table does not reflect:

- 14,250,646 shares of common stock issuable upon exercise of options outstanding as of January 31, 2002 under our stock option plan at a weighted average exercise price of $1.42 per share;
- shares of common stock issuable upon the exercise of stock options granted under our stock option plan upon completion of this offering at an exercise price equal to the initial offering price; and
- 9,358,423 shares available for future issuance under our stock option plan.

SELECTED CONSOLIDATED FINANCIAL DATA

We derived the selected consolidated financial data presented below from our consolidated financial statements and related notes included in this prospectus. You should read the selected consolidated financial data together with our consolidated financial statements and related notes and the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Statements of operations data for the years ended January 31, 2000, 2001 and 2002, and the balance sheet data at January 31, 2001 and 2002 have been derived from our consolidated financial statements and are included elsewhere in this prospectus. Balance sheet data at January 31, 2000 have been derived from audited financial statements not included herein. Statements of operations data for the year ended December 31, 1997, the one month period ended January 31, 1998 and the year ended January 31, 1999, and the balance sheet data at December 31, 1997 and January 31, 1998 and 1999 have been derived from our unaudited consolidated financial statements not included herein.

	Year Ended December 31,	One Month Ended January 31,	Year Ended January 31,			
	1997	1998	1999	2000	2001	2002
	(in thousands, except per share data)					
Statement of Operations Data:						
Sales	$ 58,865	$ 758	$ 89,282	$ 120,612	$ 141,677	$ 131,235
Cost of sales	31,749	1,456	50,024	61,898	76,876	67,056
Gross profit	27,116	(698)	39,258	58,714	64,801	64,179
Research and development, net	14,345	2,204	16,412	21,307	14,249	15,184
Selling, general and administrative	23,116	2,862	31,924	44,914	48,162	45,923
Royalties and license fees	617	32	1,548	2,041	2,731	2,851
Merger expenses	—	—	—	—	3,510	—
Restructuring and impairment charges	—	—	—	—	3,714	2,754
Loss from operations	(10,962)	(5,796)	(10,626)	(9,548)	(7,565)	(2,533)
Interest and other income (expense), net	(709)	(111)	(753)	(641)	(497)	(564)
Loss before income taxes	(11,671)	(5,907)	(11,379)	(10,189)	(8,062)	(3,097)
Income tax provision (benefit)	(44)	(41)	280	355	497	1,552
Net loss	$ (11,627)	$ (5,866)	$ (11,659)	$ (10,544)	$ (8,559)	$ (4,649)
Net loss per share—basic and diluted	$ (0.12)	$ (0.06)	$ (0.12)	$ (0.11)	$ (0.09)	$ (0.05)
Shares used in computing basic and diluted net loss per share	95,140	95,140	95,140	95,144	95,577	95,899

	As of December 31,	As of January 31,				
	1997	1998	1999	2000	2001	2002
	(in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 40,344	$ 38,924	$ 32,456	$ 35,933	$ 43,330	$ 49,860
Working capital	40,694	35,311	22,189	10,804	3,512	41,160
Total assets	93,648	92,830	88,942	103,410	117,554	116,726
Long-term bank loans, including current maturities	692	692	1,161	1,323	2,806	43,623
Stockholders' equity	57,268	51,475	40,075	30,896	22,525	18,735

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes thereto which appear elsewhere in this prospectus.

Overview

Our analytic solutions for digital security and surveillance include our STAR-GATE and RELIANT communications interception products and our LORONIX digital video security products. STAR-GATE enables communications service providers to intercept communications over a variety of wireline, wireless and Internet protocol, or IP, networks for delivery to law enforcement and other government agencies, and is sold to communications service and equipment providers. RELIANT provides intelligent recording and analysis solutions for communications interception activities and is sold to law enforcement and government agencies. Our LORONIX digital video security products provide intelligent recording and analysis of video for security and surveillance applications, and are sold to government agencies and public and private organizations for use in airports, public buildings, correctional facilities and corporate sites.

Our analytic solutions for enterprise business intelligence include our ULTRA contact center business intelligence products and LORONIX video business intelligence products. Our ULTRA products are sold to contact centers within a variety of enterprises, including financial institutions, communications service providers and utilities, to record and analyze customer interactions with their contact centers. Our LORONIX video business intelligence products enable enterprises to monitor and improve their operations through the analysis of live and recorded digital video and are sold primarily to commercial enterprises including retailers, shopping malls, casinos, manufacturers and other enterprises.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We generally recognize revenue at the time of shipment for sales of systems that do not require significant customization to be performed and when collection of the resulting receivable is deemed probable by us. Our systems generally consist of a bundled hardware and software solution that is shipped together. Customers may also purchase separate maintenance contracts, which generally consist of bug-fixing, telephone access to our technical personnel and replacement of hardware components, but in certain circumstances may also include the right to receive unspecified product updates, upgrades and enhancements. We recognize revenue from these services ratably over the contract period. We recognize revenue from certain long-term contracts under the percentage-of-completion method on the basis of physical completion to date or using actual costs incurred to total expected costs under the contract. Revisions in estimates of costs and profits are reflected in the accounting period in which the facts that require such revision become known. At the time a loss on a contract is known, the entire amount of the estimated loss is accrued. Amounts received from customers in excess of revenues earned are recorded as advance payments from customers. Accounts receivable are generally diversified due to the number of commercial and government entities comprising our customer base and their dispersion across many geographical regions. At the end of each accounting period, we record a reserve for estimated bad debts included in accounts receivable based upon our current and historical collection history.

Our cost of sales includes costs of materials, subcontractor costs, salary and related benefits for the operations and service departments, depreciation and amortization of equipment used in the operations

and service departments, amortization of capitalized software costs, travel costs and an overhead allocation. Research and development costs include salary and related benefits as well as travel, depreciation and amortization of research and development equipment, an overhead allocation, as well as other costs associated with research and development activities, and is stated net of amounts reimbursed by the Israeli government. Selling, general and administrative costs include salary and related benefits, travel, depreciation and amortization, sales commissions, marketing and promotional materials, recruiting expenses, professional fees, facility costs, as well as other costs associated with sales, marketing, finance and administrative departments.

Software development costs are capitalized upon the establishment of technological feasibility and are amortized on a straight-line basis over the estimated useful life of the software, which to date has been four years or less. Amortization begins in the period in which the related product is available for general release to customers. We review software development costs for impairment at the end of each fiscal year, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized when the estimated net realizable value of the software is less than its carrying amount. The net realizable value is the estimated future gross revenue from the software reduced by the estimated future costs of completing and supporting the software.

In July 2000, our parent, Comverse Technology, acquired all of the outstanding stock of Loronix Information Systems, Inc., or Loronix, a company that develops software-based digital video recording and management systems and Syborg Informationsysteme beschränkt haftende OHG, or Syborg, a company that develops software-based digital voice and Internet recording systems. These business combinations were accounted for as poolings of interests. In February 2001, we issued 34,539,905 shares of our common stock to Comverse Technology in exchange for Comverse Technology's ownership interest in Loronix and Syborg. These shares are reflected in our consolidated financial statements as if they were outstanding as of the earliest period presented, which is consistent with the pooling of interests method of accounting. Our consolidated financial statements for the year ended January 31, 2000 include the operations of Loronix and Syborg for the year ended December 31, 1999.

For a discussion of our relationship and transactions with Comverse Technology and its subsidiaries, see "Certain Relationships and Related Transactions—Relationship with Comverse Technology and its Subsidiaries," and note 12 to our consolidated financial statements.

Results of Operations

The following table sets forth, for the periods indicated, certain financial data expressed as a percentage of sales:

	Year Ended January 31,		
	2000	2001	2002
Sales	100.0%	100.0%	100.0%
cost of sales	51.3	54.3	51.1
Gross profit	48.7	45.7	48.9
Research and development, net	17.7	10.1	11.6
Selling, general and administrative	37.2	34.0	35.0
Royalties and license fees	1.7	1.9	2.2
Merger expenses	—	2.5	—
Restructuring and impairment charges	—	2.6	2.1
Loss from operations	(7.9)	(5.3)	(1.9)
Interest and other income (expense), net	(0.5)	(0.4)	(0.4)
Loss before income taxes	(8.4)	(5.7)	(2.4)
Income tax provision	0.3	0.4	1.2
Net loss	(8.7)%	(6.0)%	(3.5)%

Year Ended January 31, 2002 compared to Year Ended January 31, 2001

Sales. Sales for the year ended January 31, 2002, or fiscal 2001 decreased by approximately $10.4 million, or 7%, compared to the year ended January 31, 2001, or fiscal 2000. This decrease was attributable to a decrease in sales of products of approximately $14.5 million offset by an increase in service revenues which increased by approximately $4.0 million. Such decrease was principally due to a decrease in sales volume as a result of a general slowdown in information technology spending. Sales to international customers represented 58% of sales for fiscal 2001 as compared to 51% for fiscal 2000.

Cost of Sales. Cost of sales for fiscal 2001 decreased by approximately $9.8 million, or 13%, as compared to fiscal 2000. This decrease was attributable to a decrease in material costs of $8.5 million due to the decrease in product sales. This decrease was offset by an increase in subcontractor costs of $1.2 million and an increase in other expenses of $1.2 million. Additionally, during fiscal 2000, the Company incurred costs of $3.7 million relating to the write-off and abandonment of inventories that were considered obsolete and duplicative as a result of the Loronix and Syborg mergers. Gross margin increased to approximately 48.9% in fiscal 2001 from approximately 45.7% in fiscal 2000.

Research and Development Expenses, net. Research and development expenses, net, for fiscal 2001 increased by approximately $0.9 million, or 7%, compared to fiscal 2000. This net increase was attributable to a decrease in government reimbursements of $1.7 million offset by a decrease in research and development expenses of $0.8 million.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for fiscal 2001 decreased by approximately $2.2 million, or 5%, compared to fiscal 2000. This decrease was attributable to lower agent commissions of $1.1 million and bad debt expense of $2.7 million offset by increases in other expenses of $1.6 million. Selling, general and administrative expenses as a percentage of sales increased to 35% for fiscal 2001 from 34% for fiscal 2000.

Royalties and License Fees. Royalties and license fees for fiscal 2001 increased by approximately $0.1 million, or 4%, compared to fiscal 2000.

Merger Expenses. In connection with the acquisitions of Loronix and Syborg in fiscal 2000, we charged $3.5 million of merger related charges to operations. These charges relate to professional fees to lawyers, investment bankers and accountants, as well as other direct costs in connection with the mergers, such as printing costs and filing fees.

Restructuring and Impairment Charges. In connection with the acquisitions of Loronix and Syborg in fiscal 2000, we charged $3.7 million of restructuring and impairment related charges to operations. These impairment charges consisted of:

- $2.2 million for the write-off of certain capitalized software that became obsolete due to the existence of duplicative technology; and
- $1.5 million for the write-off of certain demonstration, laboratory and production equipment that was abandoned as a result of the mergers.

During fiscal 2001, we recorded a charge to operations of $2.8 million for workforce reduction costs and for costs to consolidate our offices in the United Kingdom. These charges were necessary as a result of the difficult economic and capital spending environment and were designed to improve our cost structure and to increase our profitability.

Interest and Other Income (Expense), net. Net interest and other expense for fiscal 2001 increased by approximately $0.1 million as compared to fiscal 2000. This increase was attributable to decreased interest income of $0.6 million and increased net foreign currency losses of $0.2 million, offset by decreased interest expense of $0.7 million. The decrease in interest income and expense is due to the decrease in interest rates that occurred during fiscal 2001.

Income Tax Provision. During fiscal 2001, the income tax provision increased by approximately $1.1 million compared to fiscal 2000. This increase was attributable to an increase in pre-tax income in certain foreign tax jurisdictions after giving effect to available net operating loss carryforwards.

Net Loss. Net loss decreased by approximately $3.9 million, or 46%, for fiscal 2001 compared to fiscal 2000, and as a percentage of sales it decreased to approximately 4% for fiscal 2001 from approximately 6% for fiscal 2000. This decrease was attributable to the factors described above.

Year Ended January 31, 2001 Compared to Year Ended January 31, 2000

Sales. Sales for fiscal 2000, increased by approximately $21.1 million, or 17%, compared to the year ended January 31, 2000, or fiscal 1999. This increase was attributable to an increase in both sales of products of approximately $12.3 million and service revenue of approximately $8.7 million. Such increase was principally due to increased sales volume in the United States and Europe. Sales to international customers represented 51% of sales for fiscal 2000 as compared to 49% of sales for fiscal 1999.

Cost of Sales. Cost of sales for fiscal 2000 increased by approximately $15.0 million, or 24%, as compared to fiscal 1999. This increase in cost of sales was primarily attributable to:

- increased materials and production costs of approximately $3.8 million due to the increase in sales;
- increased personnel-related costs of approximately $3.6 million due to the hiring of additional personnel and increased compensation and benefits for existing personnel;
- an increase in other production and service costs of approximately $3.9 million; and
- an increase of approximately $3.7 million relating to the write-off and abandonment of inventories that were considered obsolete and duplicative as a result of the Loronix and Syborg mergers.

Gross margin decreased to approximately 45.7% in fiscal 2000 from approximately 48.7% in fiscal 1999.

Research and Development Expenses, net. Research and development expenses, net, for fiscal 2000 decreased by approximately $7.1 million, or 33%, compared to fiscal 1999. This decrease was attributable to a decrease in personnel costs of $4.4 million related to research and development activities due to redeployment to other departments, such as production, project management, service, and sales and marketing, to support the increased sales and an increase in government research and development grants as compared to the previous period of $2.7 million.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for fiscal 2000 increased by approximately $3.2 million, or 7%, compared to fiscal 1999. This increase was attributable to an increase in compensation and benefits for existing personnel and an increase in headcount to support the increased level of sales during fiscal 2000 amounting to $2.1 million and an increase in agent commissions of $1.1 million. Selling, general and administrative expenses as a percentage of sales decreased to 34% for fiscal 2000 from 37% for fiscal 1999.

Royalties and License Fees. Royalties and license fees for fiscal 2000 increased by approximately $0.7 million, or 34%, compared to fiscal 1999. This increase was attributable to a growth in sales of royalty-bearing products.

Merger Expenses. In connection with the acquisitions of Loronix and Syborg in fiscal 2000, we charged $3.5 million of merger related charges to operations. These charges relate to professional fees to lawyers, investment bankers and accountants, as well as other direct costs in connection with the mergers, such as printing costs and filing fees.

Restructuring and Impairment Charges. In connection with the acquisitions of Loronix and Syborg in fiscal 2000, we charged $3.7 million of restructuring and impairment related charges to operations. These impairment charges consisted of:

- $2.2 million for the write-off of certain capitalized software that became obsolete due to the existence of duplicative technology; and
- $1.5 million for the write-off of certain demonstration, laboratory and production equipment that was abandoned as a result of the mergers.

Interest and Other Income (Expenses), net. Net interest and other expense for fiscal 2000 decreased by approximately $0.1 million as compared to fiscal 1999. This decrease was attributable to increased interest income of approximately $1.1 million offset by an increase in interest expense of approximately $0.9 million.

Income Tax Provision. During fiscal 2000, the income tax provision increased by approximately $0.1 million compared to fiscal 1999. This increase was attributable to an increase in pre-tax income in certain foreign tax jurisdictions after giving effect to available net operating loss carryforwards.

Net Loss. Net loss decreased by approximately $2.0 million, or 19%, in fiscal 2000 compared to fiscal 1999, while as a percentage of sales it decreased to approximately 6% for fiscal 2000 from approximately 9% for fiscal 1999. This decrease was attributable to the factors described above.

Adjusted Income (Loss) from Operations

Adjusted income (loss) from operations for fiscal 2000 is calculated by adding to loss from operations merger expenses of $3.5 million and restructuring and impairment charges of $3.7 million. Adjusted income for fiscal 2001 is calculated by adding restructuring and impairment charges of $2.8 million to loss from operations. Adjusted income (loss) from operations is presented because we believe it is meaningful to investors to understand what our financial results would have been if we had not incurred these non-recurring charges. Adjusted income (loss) from operations is not a measurement of financial performance and should not be considered as an alternative to measures of performance derived in accordance with accounting principles generally accepted in the United States of America.

The following table sets forth, for the periods indicated, our calculation of adjusted income (loss) from operations.

	Year Ended January 31,		
	2000	2001	2002
	(in thousands)		
Loss from operations	$ (9,548)	$ (7,565)	$ (2,533)

Merger expenses	—	3,510	—
Restructuring and impairment charges	—	3,714	2,754
Adjusted income (loss) from operations	$ (9,548)	$ (341)	$ 221

In connection with the Loronix and Syborg mergers in the year ended January 31, 2001, we incurred merger related costs of $3.5 million consisting of professional fees to lawyers, investment bankers and accountants, as well as other merger costs, such as printing costs and filing fees. We also incurred $3.7 million of impairment charges in the year ended January 31, 2001. These impairment charges consisted of:

- $2.2 million for the write-off of certain capitalized software which became obsolete due to the existence of duplicative technology; and
- $1.5 million for the write-off of certain demonstration, laboratory and production equipment that was abandoned as a result of the mergers.

During fiscal 2001, we recorded a charge to operations of $2.8 million for workforce reduction costs and for costs to consolidate our offices in the United Kingdom. These charges were necessary as a result of the difficult economic and capital spending environment and were designed to improve our cost structure and to increase our profitability.

Geographic Information

Summarized financial information for our reportable geographic segments is presented in the following table. Sales in each geographic segment represents sales originating from that segment.

	United States	Israel	United Kingdom	Other	Reconciling Items	Consolidated Totals
			(In thousands)			
Year Ended January 31, 2000						
Sales	$ 71,152	$ 47,045	$ 9,487	$ 5,323	$ (12,395)	$ 120,612
Costs and expenses	(71,801)	(52,260)	(12,325)	(5,795)	12,021	(130,160)
Operating income (loss)	$ (649)	$ (5,215)	$ (2,838)	$ (472)	$ (374)	$ (9,548)
Year Ended January 31, 2001						
Sales	$ 77,777	$ 53,246	$ 20,503	$ 9,662	$ (19,511)	$ 141,677
Costs and expenses	(84,679)	(54,045)	(20,994)	(9,115)	19,591	(149,242)
Operating income (loss)	$ (6,902)	$ (799)	$ (491)	$ 547	$ 80	$ (7,565)
Year Ended January 31, 2002						
Sales	$ 65,731	$ 62,712	$ 18,848	$ 6,023	$ (22,079)	$ 131,235
Costs and expenses	(70,290)	(58,813)	(19,349)	(7,882)	22,566	(133,768)
Operating income (loss)	$ (4,559)	$ 3,899	$ (501)	$ (1,859)	$ 487	$ (2,533)

Year Ended January 31, 2002 Compared to Year Ended January 31, 2001

Sales for fiscal 2001 decreased in all geographic segments except Israel as compared to fiscal 2000 due to decreased product sales volumes. Sales originating from Israel increased by approximately $9.5 million due to an increase in product sales to international markets excluding the United States and the United Kingdom. Operating costs and expenses in Israel increased by $4.8 million due to the increase in cost of sales and other expenses supporting the increased sales. Operating costs and expenses in the United States decreased approximately $14.4 million due to the one-time merger, restructuring and impairment charges and inventory write-off and abandonment of approximately $6.0 million incurred during fiscal 2000 and due to a decrease in operating expenses which resulted from the decrease in sales. Operating costs and expenses in the United Kingdom decreased by $1.6 million due to the decrease in sales.

Year Ended January 31, 2001 Compared to Year Ended January 31, 2000

Sales for fiscal 2000 increased in all geographic segments as compared to fiscal 1999 due to increased sales volumes of both product sales and service revenues. Operating costs and expenses in the United States increased by approximately $12.9 million due to the one-time merger, restructuring and impairment charges and inventory write-off and abandonment of approximately $6.0 million incurred during fiscal 2000 and an increase in operating expenses to support the increased sales. Operating costs and expenses in Israel increased by $1.8 million due to an increase in operating expenses to support the increase in sales. Sales in the United Kingdom increased by $11.0 million and operating costs increased by approximately $8.7 million due to the increase in sales.

Selected Quarterly Results of Operations

The following tables set forth consolidated statement of operations data for each of the eight consecutive quarters ended January 31, 2002. This information has been derived from our unaudited consolidated financial statements. The unaudited consolidated financial statements have been prepared substantially on the same basis as the audited consolidated financial statements appearing elsewhere in

this prospectus and include all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of such information. You should read this information in conjunction with our consolidated financial statements and the related notes elsewhere in this prospectus. The operating results for any quarter are not necessarily indicative of the operating results of any future period.

	Three Months Ended							
	Apr. 30, 2000	July 31, 2000	Oct. 31, 2000	Jan. 31, 2001	Apr. 30, 2001	July 31, 2001	Oct. 31, 2001	Jan. 31, 2002
	(in thousands)							
Sales	$ 30,586	$ 35,163	$ 36,958	$ 38,970	$ 34,558	$ 32,017	$ 31,039	$ 33,621
Cost of sales	15,804	21,812	19,183	20,077	17,840	16,335	16,120	16,761
Gross profit	14,782	13,351	17,775	18,893	16,718	15,682	14,919	16,860
Research and development, net	3,392	3,266	3,665	3,926	4,007	3,786	3,617	3,774
Selling, general and administrative	11,258	12,452	11,773	12,679	12,032	11,135	11,543	11,213
Royalties and license fees	672	660	691	708	719	697	670	765
Merger expenses	—	3,510	—	—	—	—	—	—
Restructuring and impairment charges	—	3,714	—	—	—	1,164	—	1,590
Income (loss) from operations	(540)	(10,251)	1,646	1,580	(40)	(1,100)	(911)	(482)
Interest and other income (expense), net	(293)	(201)	(230)	227	(292)	(188)	128	(212)
Income (loss) before income taxes	(833)	(10,452)	1,416	1,807	(332)	(1,288)	(783)	(694)
Income tax provision	7	3	11	476	560	454	240	298
Net income (loss)	$ (840)	$ (10,455)	$ 1,405	$ 1,331	$ (892)	$ (1,742)	$ (1,023)	$ (992)
As a percentage of sales								
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	51.7	62.0	51.9	51.5	51.6	51.0	51.9	49.9
Gross profit	48.3	38.0	48.1	48.5	48.4	49.0	48.1	50.1
Research and development, net	11.1	9.3	9.9	10.1	11.6	11.8	11.7	11.2
Selling, general and administrative	36.8	35.4	31.9	32.5	34.8	34.8	37.2	33.4
Royalties and license fees	2.2	1.9	1.9	1.8	2.1	2.2	2.2	2.3
Merger expenses	—	10.0	—	—	—	—	—	—
Restructuring and impairment charges	—	10.6	—	—	—	3.6	—	4.7
Income (loss) from operations	(1.8)	(29.2)	4.5	4.1	(0.1)	(3.4)	(2.9)	(1.4)
Interest and other income (expense), net	(1.0)	(0.6)	(0.6)	0.6	(0.8)	(0.6)	0.4	(0.6)
Income (loss) before income taxes	(2.7)	(29.7)	3.8	4.6	(1.0)	(4.0)	(2.5)	(2.1)
Income tax provision	0.0	0.0	0.0	1.2	1.6	1.4	0.8	0.9
Net income (loss)	(2.7)%	(29.7)%	3.8%	3.4%	(2.6)%	(5.4)%	(3.3)%	(3.0)%

Our quarterly results of operations have varied significantly in the past as a result of various factors, including the recent global economic slowdown and the general decline in information technology spending. Accordingly, sales and net income, if any, in any particular period may be lower than sales and net income, if any, in a preceding or comparable period. Period-to-period comparisons of our results of operations may not be meaningful, and you should not rely upon them as indicators of our future performance.

Liquidity and Capital Resources

We have funded our operations and met our capital expenditure requirements primarily through cash flows from operations and borrowings from Comverse Technology. As of January 31, 2002, we had cash and cash equivalents of approximately $49.9 million and working capital of approximately $41.2 million.

Operating activities for fiscal 1999, fiscal 2000 and fiscal 2001, after adding back non-cash items, provided (or used) cash of approximately ($3.3) million, $8.8 million, and $2.3 million, respectively. For

fiscal 1999, cash provided from other changes in assets and liabilities of $10.1 million primarily consisted of an increase in accounts payable and accrued liabilities of $14.4 million and changes in due to/from related parties of $5.5 million, partially offset by an increase in accounts receivable of $4.0 million and an increase in inventories of $5.0 million which resulted from the growth of our business compared to the previous year. For fiscal 2000, cash used by other changes in assets and liabilities of $0.4 million primarily consisted of an increase in accounts payable and accrued liabilities of $5.6 million and an increase in advance payments from customers of $6.9 million, partially offset by an increase in accounts receivable of $6.4 million, an increase in prepaid expenses and other assets of $3.9 million and a decrease in due to/from related parties of $2.9 million which resulted from the growth of our business as compared to the prior year. For fiscal 2001, cash provided from other changes in assets and liabilities of $7.2 million primarily consisted of an increase in accounts payable and accrued liabilities of $3.6 million, a decrease in accounts receivable of $2.0 million, a decrease in inventories of $3.5 million, and a decrease in prepaid and other assets of $2.8 million, partially offset by a change in due to/from related parties of $3.6 million.

Investing activities for fiscal 1999, fiscal 2000 and fiscal 2001 used cash of approximately $8.7 million, $10.6 million and $ 8.5 million, respectively. These amounts primarily include additions to property and equipment in fiscal 1999, fiscal 2000 and fiscal 2001 of approximately $4.7 million, $6.3 million and $4.3 million, respectively, and capitalization of software development costs of approximately $4.0 million, $4.3 million and $4.1 million, respectively.

Financing activities for fiscal 1999, fiscal 2000 and fiscal 2001 provided cash of approximately $5.4 million, $9.4 million and $5.2 million, respectively. For fiscal 1999, fiscal 2000, and fiscal 2001 proceeds from the issuances of common stock provided $1.4 million, $0.9 million and $0.3 million, respectively, and net proceeds from bank loans and related party loans provided $4.0 million, $8.6 million and $4.9 million, respectively.

In January 2002, we obtained a $42 million bank loan. This loan matures in February 2003, bears interest at LIBOR plus 0.55%, and may be prepaid without penalty at the end of any interest period. The proceeds of this loan were used to repay amounts owed to Comverse Technology. The loan is guaranteed by Comverse Technology.

We have obtained bank guarantees primarily to secure our performance of certain obligations under contracts with customers. These guarantees, which aggregated $5.2 million at January 31, 2002, are to be released by our performance of specified contract milestones, which are scheduled to be completed in the ensuing year.

The following table sets forth our contractual obligations and commercial commitments as of January 31, 2002:

		Years Ending January 31,					
Contractual Obligations	**Total**	**2003**	**2004**	**2005**	**2006**	**2007**	**Thereafter**
Long-term debt	$ 43,623	$ 167	$ 42,163	$ 160	$ 161	$ 162	$ 810
Rent and other operating lease obligations	5,637	2,548	2,063	605	421	—	—
Total	$ 49,260	$ 2,715	$ 44,226	$ 765	$ 582	$ 162	$ 810

On February 1, 2002, our wholly-owned subsidiary, Loronix, acquired the digital video recording business of Lanex, LLC. The Lanex business provides digital video recording solutions for security and surveillance applications primarily to North American banks. The purchase price consisted of $9.5 million in cash and a $2.2 million convertible note issued by us to Lanex. The note is non-interest bearing and matures on February 1, 2004. The holder of the note may elect to convert the note, in whole or in part, into shares of our common stock at a conversion price of $3.1429 per share at any

time on or after the completion of our initial public offering. The note is guaranteed by Comverse Technology.

We believe that the net proceeds from this offering, together with our current cash balances and potential cash flow from operations, will be sufficient to meet the anticipated cash needs for working capital, capital expenditures and other activities for at least the next 12 months. Thereafter, if current sources are not sufficient to meet our needs, we may seek additional debt or equity financing. We do not expect to be dependent on Comverse Technology for our financing needs for the foreseeable future. In addition, although there is no present understanding, commitment or agreement with respect to any acquisition of other businesses, products, or technologies, we may in the future consider such transactions, which may require additional debt or equity financing and could result in a decrease of our working capital. There can be no assurance that such additional financing would be available on acceptable terms, if at all.

Effect of New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 141, "Business Combinations." SFAS No. 141 applies prospectively to all business combinations initiated after June 30, 2001 and to all business combinations accounted for using the purchase method of accounting for which the date of acquisition is July 1, 2001, or later. SFAS No. 141 requires all business combinations to be accounted for using one method, the purchase method. Under previously existing accounting rules, business combinations were accounted for using one of two methods, the pooling-of-interests method or the purchase method. The adoption of SFAS No. 141 did not have a material impact on our consolidated financial statements.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets. Under SFAS No. 142, goodwill and some intangible assets will no longer be amortized, but rather will be reviewed for impairment on a periodic basis. The provisions of SFAS No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001. SFAS No. 142 is required to be applied at the beginning of our fiscal year and is to be applied to all goodwill and other intangible assets recognized in our financial statements at that date. Impairment losses for goodwill and certain intangible assets that arise due to the initial application of SFAS No. 142 are to be reported as resulting from a change in accounting principle. Goodwill and intangible assets acquired after June 30, 2001 will be subject immediately to the provisions of SFAS No. 142. We do not expect the adoption of SFAS No. 142 to have a material impact on our consolidated financial statements.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. We do not expect the adoption of SFAS No. 143 to have a material impact on our financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supercedes certain provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of" and Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and

Transactions." SFAS No. 144 requires that long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years; however, early adoption is encouraged. We are currently evaluating the impact that SFAS No. 144 will have on our consolidated financial statements.

Corporate Tax Rate

We have operations primarily in the United States, Israel, and the United Kingdom. The statutory corporate income tax rate in these jurisdictions are 34%, 36% and 30%, respectively. For the years ended January 31, 2000, 2001 and 2002, we have not had significant taxable income in the United States or the United Kingdom. If and when we generate taxable income in these tax jurisdictions, we would expect our effective tax rate to increase. Our facilities in Israel have been granted approved enterprise status under the Law for the Encouragement of Capital Investment, 1959. As a result of this status, our Israeli subsidiary is entitled to a reduction in the normally applicable tax rate in Israel for income generated from these facilities. However, these benefits may not be applied to reduce the tax rate for any income derived by our non-Israeli subsidiaries.

Under the current rules, the portion of income derived by our Israeli subsidiary from each of its approved enterprise programs at our manufacturing facilities in Israel is exempt from income tax in Israel for a period of two years commencing in the first year in which our Israeli subsidiary has taxable income allocable to a specific program and is subject to a reduced company tax of 10% for the subsequent eight year period, so long as we continue to hold at least 90% of the ordinary shares of our Israeli subsidiary. In addition, these reduced rates are limited to a period of 12 years from the year in which the facilities commenced operations or 14 years from the year in which the letter of approval was granted, whichever comes earlier.

If our Israeli subsidiary subsequently pays us dividends out of income derived from the approved enterprise during the tax exempt period, there will be a tax on the gross amount distributed. The tax rate will be between 10% to 25%, depending on the percentage of ordinary shares of our Israeli subsidiary that we hold at the relevant time. In addition, we would also be taxed in Israel on the dividends we receive from our Israeli subsidiary at a reduced rate applicable to dividends from approved enterprises, which is 15% if the dividend is distributed during the tax exempt period or within 12 years after such period. Our Israeli subsidiary would be required to withhold the tax on its dividends at the time the dividend is paid.

Government Grants

Our research and development efforts in Israel have been partially financed through internal resources and grants from the Government of Israel through the Office of the Chief Scientist of the Ministry of Industry and Trade. Under the Law for the Encouragement of Industrial Research and Development, 1984, approved research and development expenditure programs are eligible for grants of up to 50% of the expenditures if they meet certain criteria.

In fiscal 1999, fiscal 2000 and fiscal 2001, we received grants of approximately $4.8 million, $7.5 million and $5.8 million, respectively, from the Office of the Chief Scientist. We expect that Chief Scientist grants as a percentage of our consolidated research and development expenses will decrease in future periods due to an expected increase in the portion of research and development activities that

will not be recognized by the Chief Scientist and an expected increase in research and development activities outside of Israel. As of January 31, 2002, we have received approximately $44 million in cumulative grants from the Office of the Chief Scientist.

We pay royalties to the Chief Scientist for each project once the project begins to yield revenues. The royalty rates are between 3% and 5% of sales of products developed through the project up to the repayment of 100% of the grants received. For grants received under programs approved subsequent to January 1, 1999, the maximum payment is 100% of the grant amount, linked to the U.S. dollar, plus interest thereon. As of January 31, 2002, we have recorded approximately $15 million in cumulative royalties to the Office of the Chief Scientist.

The manufacturing of products developed with Chief Scientist grants must be performed in Israel. However, subject to the Chief Scientist's approval, manufacturing may be performed outside of Israel if the recipient of the grants pays accelerated royalties based on the amount of manufacturing performed outside of Israel.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in foreign currency exchange rates which could impact our results of operations and financial condition. We consider our exchange rate risk, in particular that of the U.S. dollar versus the British pound, the Euro and the new Israeli shekel, to be our primary market risk exposure. We do not believe that our exchange rate exposure will have a material effect on our financial condition, results of operations or cash flows.

We manage our exposure to foreign currency exchange risks primarily through our regular operating and financing activities. In the future, we may use foreign currency exchange contracts and other derivative instruments to reduce our exposure to this risk if these contracts or financial instruments enable us to reduce our exposure to exchange rate movements. To date, we have not used any material foreign currency exchange contracts or other derivative instruments to reduce our exposure to this risk. As of January 31, 2002, we had no outstanding foreign currency exchange contracts or other derivative instruments.

We currently maintain our surplus cash in short-term, interest-bearing bank deposits. Upon completion of this offering, pending further application, we may invest a portion of the net proceeds in interest-bearing investment-grade instruments or bank deposits. We do not expect that a 100 basis point increase nor decrease from current interest rates would have a material effect on our financial position, results of operations or cash flows.

BUSINESS

Overview

We are a leading provider of analytic solutions for communications interception, digital video security and surveillance, and enterprise business intelligence. Our software generates actionable intelligence through the collection, retention and analysis of voice, fax, video, email, Internet and data transmissions from multiple types of communications networks.

Since the terrorist attacks of September 11, 2001, heightened awareness surrounding homeland defense and security, both in the United States and globally, has increased the demand for solutions such as ours. Recent legislative and regulatory actions have provided greater surveillance powers to law enforcement agencies, imposed strict requirements on communications service providers to facilitate interception of communications over public networks, and increased the security measures being implemented at airports and other public facilities. Demand for solutions such as ours has also been driven by the enormous growth in recent years in both the types and volume of communications.

Industry Background

Overview

The two markets that we focus on, digital security and surveillance and enterprise business intelligence, include a variety of applications aimed at generating actionable intelligence from voice, video and data transmissions. The process of generating actionable intelligence is comprised of the following five components: collection, retention, analysis, decision and distribution.

- *Collection* of raw multimedia information is achieved through an interface with wireline and wireless communications networks, including the Internet and closed circuit television, or CCTV cameras, as well as cameras with direct connection to IP networks.
- *Retention* consists of storage of the collected multimedia information for a period of time. Collected information can be processed concurrently with its storage.
- *Analysis* of stored information is performed through various voice, video and data mining techniques. These analytical tools convert raw multimedia information into organized useful data.
- *Decision* criteria are established by users to filter and prioritize processed data. By applying decision criteria, the processed data becomes actionable intelligence.
- *Distribution* of actionable intelligence to the appropriate decision makers is the last component of the multimedia analytic solution. Through notification techniques, the decision makers are made aware of the existence of actionable intelligence in a timely manner.

The Digital Security and Surveillance Market

The digital security and surveillance market consists primarily of communications interception by law enforcement agencies and digital video security utilized by government agencies and public and private organizations for use in airports, public buildings, correctional facilities and corporate sites.

Communications Interception

Lawful communications interception, historically referred to as wiretapping, is the monitoring and recording of voice and data transmissions to and from a specified target over communications networks in order to obtain intelligence and gather evidence. Law enforcement agencies are typically granted the authority from national and regional government authorities to monitor, record, process and store intercepted transmissions to and from specified targets. Since laws governing electronic surveillance vary significantly by country, and within many countries at the state or provincial levels, law

enforcement agencies are increasingly turning to established industry leaders for turnkey solutions that enable them to operate within the legal limits of information monitoring and collection.

In 1994, the U.S. Congress passed the Communications Assistance for Law Enforcement Act, or CALEA, and subsequently, the European Telecommunications Standards Institute, or ETSI, adopted similar standards. These two developments have prompted an increase in the demand for communications interception solutions. The purpose of CALEA and the ETSI standards is to ensure that communications service providers are able to fulfill the technical requirements of channeling intercepted transmissions to law enforcement agencies. Although CALEA was introduced approximately eight years ago, communications service providers were not required to comply with CALEA's standards until June 30, 2000, and were allowed to individually seek further exemptions. Following the September 11 terrorist attacks, the Federal Communications Commission issued an order stating that no further exemptions would be granted after December 31, 2001. Since then, communications service providers seeking to comply with CALEA and the ETSI standards and communications equipment vendors seeking to provide compliant products have fueled the demand for solutions that are CALEA and ETSI compliant. By outsourcing their need for a compliant communications interception solution, communications service providers and equipment vendors are able to focus on their core business activities.

On November 19, 2001, the President of the United States signed into law the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, known as the "USA Patriot Act." This legislation significantly expanded federal wiretap capability and eased the process for acquiring wiretapping warrants by granting law enforcement agencies the authority to intercept multiple methods of communications, such as cellular calls and emails with a single warrant and by extending the duration and scope of such warrants in certain circumstances. In addition, the USA Patriot Act encourages collaboration between law enforcement agencies by easing the restrictions on the sharing of recorded communications. Similar legislation is currently being considered in Europe and Asia.

Altogether, the recent legislative, regulatory and technological developments surrounding communications interception activities have led to an increase in demand for sophisticated communications interception solutions. Traditionally, lawful communications interception activities consisted of a law enforcement or other authorized official eavesdropping on the telephone conversation of a suspected target. Today, utilizing advanced communications interception technologies, voice and data transmissions of a target can be intercepted through multiple communications channels.

We believe the market for communications interception solutions will grow primarily due to:

- the emphasis placed on security-related spending stemming from the September 11 terrorist attacks. We believe that spending on communications intelligence is now among the highest of priorities for the United States and its allies, and many new homeland security initiatives are underway;

- initiatives by communications service providers to comply with the technical standards established by CALEA in the United States, the ETSI standards in Europe and other international regulatory bodies;
- initiatives by law enforcement agencies following enactment of the USA Patriot Act;
- the development and deployment of new communications technologies, including increased use and acceptance of e-mail, the Internet, and other data transmissions as means of communication; and
- the dramatic increase in data traffic, which is anticipated to require new surveillance tools capable of collecting and processing an increased volume and array of signals.

Digital Video Security

Organizations are increasingly recognizing the need for surveillance of their facilities and operations to ensure the proper level of security. The September 11 terrorist attacks have heightened public awareness to the security needs of public facilities, including airports and government buildings, as well as other organizations and institutions. Digital video security solutions coupled with intelligent video analysis tools address some of these security needs by providing a proactive approach to surveillance and security. A proactive approach to surveillance and security is achieved through the instantaneous processing of collected data and, in contrast to a passive approach, may help prevent or contain a security breach in real time.

Traditionally, video security consisted of connecting surveillance cameras to analog recording equipment that archived video images on tape. Today, digital video technology offers many advantages over analog equipment while allowing for the continued use of the existing infrastructure of installed cameras. These advantages include more efficient storage of video for faster search and retrieval, either locally or remotely through IP networks. Additionally, as video data is digitized and compressed, a variety of intelligent video analysis tools can be applied, including biometric identification, the process of using unique biological characteristics to identify an individual, and motion detection technologies. The combination of digital recording and intelligent video analysis technologies provides users with a more effective integrated security and surveillance solution.

Digital video security systems are marketed primarily to government agencies and public and private organizations for use in airports, public buildings, correctional facilities and corporate sites that require the capture, retention and analysis of video information for crime prevention and investigation, asset protection and other related purposes.

We believe that the market for digital video security will grow primarily due to:

- expected increases in the number and quality of security solutions deployed in corporate and public facilities due to heightened security awareness;
- expected migration from analog to digital video recording; and
- expected increases in value-added applications utilizing digital video promoting the shift from passive to proactive video monitoring.

The Enterprise Business Intelligence Market

The pressure on companies to manage their businesses more effectively has fueled the demand for analytic technologies and enterprise business intelligence solutions that provide actionable intelligence to organizations in a quick, convenient and helpful manner. The enterprise business intelligence market consists primarily of solutions targeting enterprises that rely on contact centers for voice, email and Internet interactions with their customers. Additionally, an emerging segment of enterprise business intelligence utilizes digital video information to allow enterprises and institutions to enhance their operations, processes and performance.

Contact Center Business Intelligence

Developing and maintaining long-term customer relationships is critical to the success of an enterprise operating in the competitive global marketplace. However, to understand and enhance customer relations, an enterprise must first improve its business processes that involve a high degree of direct customer interaction. Today, many organizations interact with their customers or clients primarily through contact centers. Increasingly, the contact center is the primary "hub" within an organization for processing inbound or outbound communications with customers that relate to the organization's products and services. Contact centers generally consist of supervisor and agent workstations that are staffed with customer service representatives and are linked to a central telephone switch as well as

computer systems linking all functions of database management to capture, store and report relevant customer information.

Recently, demand has increased for solutions that automate and evaluate key sales, marketing and customer service processes, improve the effectiveness of customer interactions, and aid in the retention of contact center agents. As customers continue to interact with customer service representatives through multiple communication channels including the Internet, the role and importance of recording and quality assurance for contact centers is increasing. Additionally, the rapid growth of the Internet and electronic commerce has also increased the importance companies place on their customer relationships since the Internet enables consumers to easily evaluate products and prices from a wide range of geographically dispersed vendors and quickly change vendors at a relatively low cost. Enterprises across industries are being driven to purchase quality assurance software primarily to improve customer care, as well as to comply with industry-specific regulations. In addition, due to the high cost of agent training and the high turnover of contact center agents, the retention of contact center agents has become a high priority for many enterprises.

Contact center business intelligence solutions target enterprises that rely on contact centers for voice, email and Internet interactions with their customers. Actionable intelligence generated from such interactions helps these enterprises to better service and retain customers, improve business processes and optimize contact center agent performance and retention. Companies possessing a better understanding of the characteristics and preferences of their customers are better positioned to customize product and service offerings resulting in increased sales and enhanced customer retention. In addition, these companies will also be able to better identify opportunities to sell complementary or higher-end products and to more accurately forecast customer demand. For example, major financial institutions generally and credit card issuers particularly, need to monitor contact center activity in real time to ensure that contact center representatives are responsive to customer needs, and assure that customers do not cancel accounts or transfer balances based on poor service. Additionally, increased intelligence

allows these companies to identify new business opportunities with customers, such as cross-selling other financial services and products, including investments, insurance and mortgages, to existing credit card customers.

We believe that the market for contact center business intelligence solutions will grow primarily due to:

- increased awareness and acceptance of the benefits of analytical recording and quality assurance solutions to optimize the customer experience;
- continuing shift from traditional contact centers to web-enabled and multimedia contact centers requiring advanced quality assurance solutions;
- upgrades of existing contact centers seeking to improve efficiency and reduce costs;
- increased need by corporations to provide innovative management tools to motivate and reward agents, as well as to decrease the high turnover of agents in the contact center field; and
- transition by contact centers from measurement of agent performance improvement alone to business process improvement.

Video Business Intelligence

An emerging segment of enterprise business intelligence utilizes digital video information to allow enterprises and institutions to enhance their operations, processes and performance. Traditional video security and surveillance systems allow enterprises to view and record actions and behaviors associated with security-related or criminal activity; however, information on the actions, behaviors and interactions of personnel or customers of an enterprise is also valuable. The existing infrastructure of closed circuit television cameras often already captures much of this valuable operational information,

however, utilizing information recorded by analog recording systems is impractical. The expansion of digital recording and the introduction of intelligent video analysis tools allow an enterprise to easily access and utilize this valuable operational information.

Implementing video business intelligence applications offers valuable information and process improvements to businesses in many vertical markets, such as the retail, gaming and corporate markets. Some of the applications for video business intelligence include the automatic counting, categorizing, monitoring and assessment of customers and personnel. Improved service is realized by real-time identification and notification of business opportunities and customer service requirements.

We believe that the market for digital video business intelligence solutions will grow primarily due to:

- The continuing demands on enterprises and institutions to streamline their operations, improve their competitiveness and enhance their customer service; and
- The rapid expansion of digital-based video systems that provide the platform for, and enable the use of, intelligent video analysis tools, including biometrics and other advanced analytics.

Our Strategy

Our strategy is to further enhance our position as a leading provider of digital security and surveillance and enterprise business intelligence solutions worldwide. Key elements of our strategy include:

- *Enhancing our technological leadership and expanding the analytic capabilities of our software.* We intend to enhance our position in the digital security and surveillance market and the enterprise business intelligence market by continuing to develop internally the analytic capabilities of our products and enhancing our core and complementary technologies.
- *Focusing on new market opportunities.* As the need for actionable intelligence is recognized by more organizations and market segments, we believe we are well positioned to offer effective solutions to these sectors.
- *Leveraging our existing technologies into new markets and applications.* Our core technologies can be applied to several different business applications. For example, the core technology of our video business intelligence solutions originates from our digital video security products. We continuously seek to utilize our technologies in different business applications, as well as explore the opportunity to combine our voice and video technologies into one comprehensive solution.
- *Utilizing strategic alliances to enhance our products and increase our customer base.* We plan to expand our product offerings and increase our customer base by providing advanced complementary solutions, such as biometric identification, through strategic alliances and joint ventures with technology providers.
- *Enhancing our relationships with systems integrators and software resellers.* We believe that our global network of systems integrators and software resellers provides us with a unique opportunity to access new markets and customers both domestically and internationally. We are expanding our distribution channels by establishing additional relationships with value added resellers, systems integrators and distributors that sell security and business intelligence solutions to global enterprises and service providers. We are also increasing our worldwide product support and sales operations and our direct sales channels.

Our Solution

Our solution enables the intelligent recording and analysis of voice, video and data transmissions for digital security and surveillance and enterprise business intelligence. Our products are utilized by

government agencies, leading corporations, financial institutions and telecommunications service and equipment providers.

Our solutions provide our customers with the following key benefits:

- *Robust functionality with advanced features.* Our solutions address the unique needs of our customers by providing a wide range of functions. In addition, we have developed a number of applications that enhance the functionality of our base product offerings. For example, our digital video systems incorporate object-tracking software that analyzes real-time video for specific motion, such as the separation of a passenger from his

luggage at an airport. In addition, our communications interception products feature a cell-phone tracking program that can identify the location of a wireless caller.

- *End-to-end systems.* Our products are unique in that we deliver complete solutions for both access to and delivery from communications networks and the collection, storage, management and processing of multimedia communications by our end users.
- *Turnkey solutions.* Our solutions can be quickly and efficiently deployed by our customers. We offer integrated hardware and software as well as training and project management services. In addition, we offer comprehensive documentation, installation and maintenance services.
- *Intuitive user interface.* Our products utilize standard user interfaces, such as web-browser and email software, which allow our customers to operate our software in a familiar and easy to use framework.
- *Scalable network-based solution with centralized control.* Our digital security and surveillance and enterprise business intelligence solutions are network-based so that our customers can access recorded information from any network connection. By allowing for centralized monitoring, we believe that our solutions enable customers to more efficiently manage their security and business information located at dispersed sites. Our products can be scaled to support thousands of inputs, both locally and across a customer networked site.
- *Open, extendable platform.* Our software runs on standard platforms and integrates with standard storage, compression and database technologies. We integrate with communications switches and customer relationship management software, as applicable, from multiple vendors across both traditional and next-generation communications networks. In addition, we have developed application programming interfaces, which enable our customers to easily incorporate their proprietary database information into our solutions.
- *Global support and service.* We are a global company with systems installed in more than 50 countries around the world and a service infrastructure able to quickly and efficiently meet customer needs. We believe that the breadth of our distribution, service and support is unparalleled in the industry.
- *Expertise in national and international standards and laws.* Our products are designed to comply with intricate local, national and international standards regarding the lawful interception of communications. We believe that the thorough knowledge of the regulatory environments in which our customers operate enables us to build more functional and practical solutions.

Digital Security and Surveillance Solutions

The following table summarizes our digital security and surveillance product lines:

Product Line	Market Served	Type of Customer	Purpose/Description	Location of Product
STAR-GATE	Communications interception	• Communications service providers • Internet service providers • Switch manufacturers	Access, delivery and administrative functions of communications interception	Embedded in circuit or packet-based switch infrastructure
RELIANT	Communications interception	• Law enforcement agencies • Intelligence agencies	Collection, delivery, storage, and analysis of data from communications interception	Law enforcement or intelligence agency monitoring center
LORONIX digital video security	Digital video security	• Government agencies • Public agencies • Transportation agencies • Public buildings	Intelligent recording of video from CCTV camera transmissions	Networked to customer CCTV or IP cameras

STAR-GATE

Our STAR-GATE product line enables communications carriers, Internet service providers, and communications equipment manufacturers to overcome the complexities posed by global digital communications and comply with governmental requirements. STAR-GATE enables communications service providers to intercept simultaneous communications over a variety of wireline, wireless and IP networks for delivery to law enforcement and other government agencies. STAR-GATE's flexibility supports multi-network, multi-vendor switch environments for a common interface across communications networks and supports switches from communications equipment manufacturers, such as Alcatel, Ericsson, Lucent, Nokia, Nortel and Siemens. STAR-GATE also supports interfaces to packet data networks, such as the Internet and general packet radio services.

Our STAR-GATE product line performs two primary functions:

- *Administration.* STAR-GATE automates the implementation of a court order for communications interception. This process includes assigning surveillance targets, defining recipients of intercepted data and setting time and security parameters conforming with the court order.

- *Mediation*. STAR-GATE routes the intercepted data from the communications switch, converts data into the required legal interception standard format, and delivers the intercepted communications to the appropriate law enforcement agency.

STAR-GATE complies with CALEA and the ETSI standards for both circuit switched and IP networks.

RELIANT

Our RELIANT product line provides intelligent recording and analysis solutions for communications interception activities to law enforcement organizations and government agencies. Our RELIANT software equips law enforcement agencies with an end-to-end solution for live monitoring of intercepted target communications and evidence collection management, regardless of the type of communication or network used. Applications can scale from a small center for a local police force, to a country-wide center for national law enforcement agencies. RELIANT products are designed to

comply with legal regulations and can be integrated with communications networks in the country where the system is utilized.

The RELIANT monitoring center is comprised of a system administration workstation and an operator workstation as well as collection and storage databases and servers. RELIANT collects intercepted communications from multiple channels and stores them for immediate access, further analysis and later use as evidence. The system enables the review of intercepted voice, fax and data transmissions in their original forms through an easy to use interface.

RELIANT offers the following key features:

- Open database architecture, which enables the application of external analysis tools, while advanced security measures maintain the integrity of intercepted information against penetration and unauthorized access;
- Long-term session archiving for use in court playback and submission of evidence;
- Location tracking capabilities for wireless network interception; and
- Maintenance and fault management.

LORONIX Digital Video Security

Our LORONIX digital video security product line provides intelligent recording and analysis of video for security and surveillance applications to government agencies and public organizations. Our LORONIX software digitizes, compresses, stores and retrieves video imaging. In addition, LORONIX products provide live video streaming and camera control over local and wide area computer networks and the Internet.

Our LORONIX product line may be configured to allow customers to perform complete monitoring for security and management of local and remote sites from a central investigative unit. The use of digital storage and compression technology makes the LORONIX product line a more efficient alternative to analog tape storage. The technology interfaces with access control, facial recognition, activity and intrusion detection and other technologies for enhanced security and surveillance.

The LORONIX solution offers the following features:

- Activity scan functionality that enables users to detect activity in recorded video by analyzing frames of a video segment to detect changes from image to image. As a scan progresses, images of video frames containing activity are highlighted and set aside for further analysis;
- Camera management software that displays all cameras connected to a given system with a graphic user interface. Intuitive camera icons denote whether cameras are black and white, color, fixed, or have pan/tilt/zoom functionality;
- An image toolkit that allows users to enhance, annotate, print, and save images in a variety of formats from live or recorded video;
- Video authentication technology that utilizes a mathematical algorithm to confirm the authenticity of digital video and to produce an image fingerprint. This fingerprint is compared to others that were created and stored when the video was originally captured by the recorder;
- A video export application that can send live and recorded video for review at any time;
- Scalability allowing for the monitoring of thousands of cameras at the same moment;
- Open architecture allowing for the application of intelligent video tools such as biometric identification and motion detection technologies;

- Operation capabilities whereby users can conduct diversified tasks, such as playback, archiving and live review simultaneously; and
- Advanced compression technologies.

Enterprise Business Intelligence Solutions

The following table summarizes our enterprise business intelligence product lines:

Product Line	Market Served	Type of Customer	Purpose/Description	Location of Product
ULTRA	Contact centers	• Internal contact centers of large organizations and enterprises, including utilities and financial institutions • Outsourced contact centers	Recording and analysis of customer interactions with contact centers agents	Interface through customer relations management application server
LORONIX video business intelligence	Business intelligence	• Large organizations enterprises, primarily in the retail and gaming industries	Analysis of digital video to improve business processes and performance	Networked to customer CCTV or IP cameras

ULTRA

Our ULTRA products record and analyze customer interactions to provide enterprises with business intelligence about their customers and help monitor and improve the performance of their contact centers. ULTRA's intelligent recording platform uses an innovative architecture that leverages voice and data processing technologies to offer customers multiple methods of recording contact center interactions while providing a flexible framework for expansions and changes in technologies.

ULTRA products capture customer interactions from multiple sources, including telephone, email, Internet or voice over Internet protocol. Utilizing ULTRA's OpenStorage Portal and Universal Database, our customers can leverage their existing storage infrastructure to store and access recorded customer interactions using standard file formats. ULTRA's software tools analyze customer interactions and distribute the resulting actionable intelligence to specified individuals based on predetermined parameters via private computer networks or the Internet.

ULTRA products integrate with leading customer relationship management, or CRM, applications allowing the delivery of information directly to the user's desktop within Siebel, PeopleSoft and other CRM solutions. ULTRA also interfaces with popular desktop software tools, including Microsoft Outlook, Lotus Notes and web browsers, to enable the user to easily access the data in a familiar computing environment.

The ULTRA product line offers the following key features:

- Advanced analytical tools for efficient data mining of call content for customer intelligence;
- Unique user-defined customer satisfaction analysis features. Such features include a call flow analysis which monitors information such as call length, number of holds, hold times, and transfers, as well as stress analysis which defines customer stress level during calls, allowing for either on-line assistance from a supervisor or offline analysis for improved agent performance;
- Open architecture, allowing for quick and easy integration with leading CRM applications; and
- Advanced storage systems which convert calls to standard file format, allowing for the integration of voice to CRM applications as well as the enterprise wide distribution via local or wide area networks.

LORONIX Video Business Intelligence

Our LORONIX video business intelligence products enable our enterprise customers to monitor and improve their operations through the analysis of live and recorded digital video. Like the LORONIX digital video security product, the LORONIX video business intelligence product digitizes, compresses, stores and retrieves video imaging. While leveraging the technology of our digital security product, the LORONIX enterprise product line also contains unique software focused on maximizing operational effectiveness through video analysis.

By interfacing with customer databases and software systems, LORONIX facilitates the user's review of video imaging based on specific criteria such as employee ID, product barcodes and point of sale transaction history. The LORONIX solution also integrates intelligent software that allows for the detection of movement of people and objects at a customer's premises. These features can be used to improve the operational performance of businesses, such as retail chains and casinos, by providing real-time alerts to customer bottlenecks. Enterprises can combine our software with other video analysis technologies that actively monitor customer and employee behavior and responses.

Sales and Marketing

We sell our products primarily through a combination of our direct sales force and agents, distributors, value added resellers and systems integrators. As of January 31, 2002, we had several sales offices in the United States and offices in Australia, Canada, France, Germany, Hong Kong, Israel, Japan, the Netherlands, Singapore and the United Kingdom. Our direct sales force consists of account executives, solutions consultants, and regional sales directors, that possess industry-specific experience.

Our sales force pursues potential sales leads identified internally or provided by systems integrators. We develop strategic marketing alliances with leading companies in our industry to expand the coverage and support of our direct sales force. Our business development personnel are responsible for the initiation, negotiation and completion of these marketing alliances. We currently have such relationships with ADT, Avaya, Nortel, and Siemens. In addition, we established technological alliances with leading software and hardware companies including Genesys, Siebel and Visionics, which enable us to offer complementary solutions to their products.

Our direct sales cycle typically begins with our initiation of a sales lead or the receipt of a request for a proposal from a prospective customer. The sales lead, or request for a proposal, is followed by an assessment of the customer's requirements, a formal proposal, presentations and product demonstrations, site visits to an existing customer that utilizes our products and contract negotiation and signing. The sales cycle can vary substantially from customer to customer but typically lasts six months to one year and is considered completed with the delivery of our product to the customer.

We use a variety of marketing programs to build brand name awareness, as well as to attract potential customers. These programs include market research, product and strategy updates with industry analysts, direct marketing programs to current and prospective customers, advertising, participation in industry trade shows, conferences, and seminars, and a public relations program that includes demonstrations of our products. To support sales efforts, we also produce promotional materials that include brochures, video presentations, data sheets and other technical descriptions.

Customers

Our products are currently used by over 800 organizations and are deployed in over 50 countries, across many industries and markets. Many users of our products are large corporations or government agencies that operate from multiple locations and facilities across large geographic areas and sometimes across several countries. These organizations typically implement our solutions in stages, with implementation in one or more sites and then gradually expanding to a full enterprise, networked-

based solution. None of our customers, including systems integrators and value added resellers, individually accounted for more than 5% of our revenues in fiscal 2001.

The following list represents sample purchasers of our products in our key market segments:

- Communications interception: Cingular Wireless, Ericsson, Nortel, the Dutch National Police Agency, the Toronto Police Service and the U.S. Department of Justice;

- Digital video security: FedEx, Mohegan Sun Casino, the U.S. Capitol, the U.S. Department of Defense, the U.S. Department of the Treasury—Bureau of Engraving and Printing, and Washington Dulles International Airport;

- Contact center business intelligence: BlueCross BlueShield, Con Edison, Datek, HSBC, JCPenney, OnStar and Sprint; and

- Video business intelligence: FedEx, Target and Tiffany & Co.

We derived approximately 21%, 22% and 26% of our revenues in fiscal 1999, fiscal 2000 and fiscal 2001, respectively, from government contracts. We expect that government contracts will continue to be a significant source of our revenues for the foreseeable future. Our business generated from government contracts may be adversely affected for various reasons including if levels of government expenditures and authorizations for law enforcement and security related programs decrease, remain constant or shift to programs in areas where we do not provide products and services or if changes in government procurement procedures preclude us from participating in such government procurement processes.

Research and Development

We continue to enhance the features and performance of our existing products and introduce new solutions by extensive research and development activities in our facilities in Israel, the United States and Germany. As of January 31, 2002, we had over 260 employees engaged in our research and development activities. We believe that our future success depends on a number of factors, which include our ability to:

- identify and respond to emerging technological trends in our target markets;

- develop and maintain competitive solutions that meet our customers' changing needs; and

- enhance our existing products by adding features and functionality to meet specific customer's needs, or that differentiate our products from those of our competitors.

As a result, we have made and intend to continue to make significant investments in research and development. We allocate our research and development resources in response to market research and customer demands for additional features and solutions. Our development strategy involves rolling out initial releases of our products and adding features over time. We continuously incorporate product feedback we receive from our customers into our product development process. While we expect that new products will continue to be developed internally, we may, based on timing and cost considerations, acquire or license technologies, products or applications from third parties.

The Government of Israel, through the Office of the Chief Scientist, encourages research and development projects which result in products for export. Our gross research and development expenses were approximately $26.1 million for fiscal 1999, $21.7 million for fiscal 2000 and $21.0 million for fiscal 2001. In fiscal 1999, fiscal 2000 and fiscal 2001, we received from the Office of the Chief Scientist grants totaling $4.8 million, $7.5 million and $5.8 million, respectively, representing 18.5%, 34.5% and 27.6% of our total research and development expenditures in these periods.

Manufacturing and Suppliers

Our manufacturing operations, which are performed in our Israeli, U.S. and German facilities, consist primarily of installing our software on externally purchased hardware components and final assembly and testing, which involves the application of extensive quality control procedures to materials, components, subassemblies and systems. We rely on several unaffiliated subcontractors for the supply of specific proprietary components and assemblies that are incorporated in all of our products. Although we have experienced delays and shortages in the supply of proprietary components on more than one occasion in the past, to date, we have been able to obtain adequate supplies of all components in a timely manner from existing sources or, when necessary, from alternative sources.

We maintain organization-wide quality assurance procedures, coordinating the quality control activities of our research and development, manufacturing and service departments. Our primary manufacturing and research and development facility in Israel has received certification to Quality Standard ISO 9001.

Intellectual Property Rights

We have accumulated a significant amount of proprietary know-how and expertise over the years in developing multimedia analytic solutions for digital security and surveillance and enterprise business intelligence. As of January 31, 2002, we had no patents and five patent applications pending. We continuously review with our patent attorneys new areas of technology to determine whether they are patentable.

The names RELIANT™, LORONIX™, cctvware™, vCRM™, Building the Customer Intelligent Enterprise™, OpenStorage Portal™, Intelligent Recording™ and our logos are our trademarks.

We license certain software, technology and related rights for use in the manufacture and marketing of our products, and pay royalties to third parties under such licenses and other agreements. We believe that our rights under such licenses and other agreements are sufficient for the manufacturing and marketing of our products and, in the case of licenses, extend for periods at least equal to the estimated useful lives of the related technology and know-how.

In January 2000, Comverse Technology and Lucent, acting through subsidiary patent holding companies on behalf of themselves and their various subsidiaries and affiliates, entered into a non-exclusive cross-licensing arrangement covering current and certain future patents issued to Comverse Technology and its affiliates and a portfolio of current and certain future patents in the area of communications technology issued to Lucent and its affiliates. Under that arrangement, and pursuant to a patent license agreement between us and Comverse Technology, Lucent is entitled to non-exclusive royalty-free licenses under any patents granted to us or which we obtain the right to license during the term of the agreement, while we are entitled to a non-exclusive royalty-free sublicense to all patents that are licensed by Lucent to Comverse Technology. See "Related Party Transactions—Patent License Agreement."

Competition

We face strong competition in the markets for our products, both in the United States and internationally. We expect competition to persist and intensify in the digital security and surveillance market, primarily due to increased demand for homeland defense and security solutions following the September 11 terror attacks. Our primary competitors are suppliers of security and recording systems and software, and indirect competitors that supply certain components to

systems integrators. In the enterprise business intelligence market, we face competition from organizations emerging from the traditional call logging or call recording market as well as software companies that develop and sell products that perform specific functions for this market. Additionally, many of our competitors

specialize in a subset of our portfolio of products and services. Primary competitors include, among others, SS8 Networks, ECtel, e-talk, Eyretel, JSI Telecom, NICE-Systems, Sensormatic and Witness Systems. We believe we compete principally on the basis of:

- product performance and functionality;
- knowledge and experience in our industry;
- product quality and reliability;
- customer service and support; and
- price.

We believe that our success depends primarily on our ability to provide technologically advanced and cost effective solutions. Additionally, we must continue to provide our customers with prompt and responsive customer support. Our competitors that manufacture other security-related systems or other recording systems may derive a competitive advantage in selling to customers that are purchasing or have previously purchased other compatible equipment from such manufacturers. Further, we expect that competition will increase as other established and emerging companies enter our market and as new products, services and technologies are introduced.

Employees

As of January 31, 2002, we had approximately 800 employees. A majority of our employees are scientists, engineers or technicians engaged in research and development and marketing support services. We consider our relationship with our employees to be good. Our employees in the United States are not covered by any collective bargaining agreement. Our employees outside the United States are entitled to severance and other benefits mandated under local laws.

Israeli law generally requires the payment by employers of severance pay upon the death of an employee, retirement or upon termination of employment, and we provide for such payment obligations through monthly contributions to an insurance fund. Additionally, Israeli employees and employers are required to pay pre-determined sums to the National Insurance Institute, which covers medical and other benefits similar to the benefits provided by the United States Social Security Administration.

Facilities

We lease approximately 60,000 square feet of office space in the United States, including approximately 32,000 square feet in Woodbury, New York, where our headquarters and some of our support and sales facilities are located. The lease of our Woodbury, New York facilities expires in February 2003. We lease approximately 70,000 square feet of office and storage space for manufacturing, development, support and sales facilities in Tel Aviv, Israel. This lease expires in January 2004. Additionally, we lease approximately 6,000 square feet of office space for sales, installation and support in the United Kingdom. We also lease small office facilities in Germany and the Netherlands.

We own approximately 40,000 square feet of office space for the development, manufacturing, support and sales of our LORONIX product lines in Durango, Colorado. We also own approximately 25,000 square feet of office and storage space for sales, manufacturing, support and development in Bexbach, Germany. We believe that our owned and leased facilities are adequate for our current operations, and that additional facilities can be acquired or developed to provide for expansion of our operations in the foreseeable future.

Legal Proceedings

From time to time, we are subject to claims in legal proceedings arising in the normal course of our business. We do not believe that we are party to any pending legal action that could reasonably be expected to have a material adverse effect on our business or operating results.

Proxy Agreement with the Department of Defense

One of our subsidiaries, Verint Technology Inc., or Verint Technology, is engaged in the development, marketing and sale of our communications interception solutions to various U.S. governmental agencies. In order to conduct its business, Verint Technology is required to maintain facility security clearances under the National Industrial Security Program, or the NISP. The NISP requires companies maintaining facility security clearances to be insulated from foreign ownership, control or influence. In January 1999, we, Comverse Technology and the Department of Defense entered into a proxy agreement with respect to the ownership and operations of Verint Technology. The proxy agreement has been approved by the Defense Security Service, which has oversight responsibilities on behalf of the Department of Defense.

Under the proxy agreement we appointed three U.S. citizens that have the requisite personal security clearance as directors of Verint Technology and as holders of proxies to vote the stock of Verint Technology. These individuals are responsible for the oversight of Verint Technology's security arrangements, including the separation of Verint Technology from us and our affiliates. As proxy holders, these individuals have the power to exercise all prerogatives of

ownership of Verint Technology, except that without obtaining our express written approval they may not authorize any individual sale or disposal of capital assets constituting a material amount of Verint Technology's assets, the mortgaging of assets other than for working capital or capital improvement purposes, any merger, consolidation, reorganization or dissolution of Verint Technology and the filing of a petition under the federal bankruptcy laws.

Under the proxy agreement we have also established a government security committee, which consists of the three proxy holders. The government security committee is in charge of the development and implementation of a technology control plan, which prescribes measures and establishes procedures to prevent unauthorized disclosure or export of controlled information to us, any of our affiliates or others. In addition, the proxy agreement establishes procedures regarding meetings, visits and communications between Verint Technology, us and our other affiliates. The Department of Defense continually reviews the technology control plan and receives an annual report from the proxy holders.

Export Regulations

We are subject to export restrictions in Israel with respect to certain components of our RELIANT products which are developed and manufactured in Israel. In order to export our RELIANT products from Israel, we are required to obtain export licenses from the Israeli Ministry of Defense prior to marketing these products in foreign countries. We are also required to obtain an additional license prior to the completion of each sale. To date, we have been successful in obtaining necessary permits.

We are also subject to export restrictions in Germany with respect to components of our RELIANT products which are developed and manufactured in Germany. To date, we have been able to rely on the terms of a general export license in Germany to export these components to countries outside the European Union. Under the terms of this license, we are also required to report to German authorities each shipment of these components outside of the European Union.

MANAGEMENT

Directors, Executive Officers and Key Employees

The following table sets forth certain information concerning our current directors, executive officers and key employees and information concerning individuals who will become our directors upon completion of this offering:

Name	Age	Position
Executive Officers and Directors:		
Kobi Alexander(1)(3)	49	Chairman of the Board of Directors
Dan Bodner(1)(3)	43	President, Chief Executive Officer and Director
Igal Nissim	46	Chief Financial Officer and Director
David Kreinberg(1)(3)	37	Director
William F. Sorin(1)(3)	53	Director
David T. Ledwell	55	President and Chief Executive Officer of Loronix and Nominee Director*
Paul D. Baker	42	Nominee Director*
Paul L. Robinson	35	Nominee Director*
Howard Safir(2)	60	Nominee Director*
Victor De Marines(2)	65	Nominee Director*
Key Employees:		
Elan Moriah	39	Vice President for Contact Center Business Intelligence Solutions
David Worthley	40	President and Chief Executive Officer of Verint Technology Inc.
David Parcell	48	Managing Director of Europe, Middle East and Africa
Meir Sperling	52	Managing Director of Verint Systems Ltd.

* This nominee shall become a director upon completion of this offering.

(1) Member of the executive committee.

(2) Member of the audit committee and stock option committee.

(3) Member of the compensation committee.

Executive Officers and Directors

Kobi Alexander has served as Chairman of our Board of Directors since February 1994. Mr. Alexander, a founder of Comverse Technology, Inc., has been a director and senior executive officer of Comverse Technology since its formation in October 1984, serving in the capacities of Chairman of the Board of Directors since September 1986 and Chief Executive Officer since April 1987. Mr. Alexander also serves as director and Chairman of the Board of various subsidiaries of Comverse Technology, including its other principal operating subsidiaries, Comverse, Inc. and Ulticom, Inc. Mr. Alexander is also a director of System Management Arts Incorporated, or SMARTS, a leading developer of intelligent software to assure availability and performance of network-based services. Mr. Alexander received a B.A., magna cum laude, in Economics from the Hebrew University of Jerusalem in 1977, and an M.B.A. in Finance from New York University in 1980.

Dan Bodner is the President, Chief Executive Officer and a director of our company. Mr. Bodner served as our President and/or Chief Executive Officer and director since February 1994. From 1991 to 1998, Mr. Bodner also served as President and Chief Executive Officer of Comverse Government Systems Corp., a former affiliate of ours. Prior to such positions, from 1987 to 1991, Mr. Bodner held

various management positions at Comverse Technology. Prior to joining Comverse Technology, Mr. Bodner was employed for two years as Director of Software Development for Contahal Ltd. From 1981 through 1985, Mr. Bodner served in the Israeli Defense Force in an engineering capacity. Mr. Bodner received a B.Sc., cum laude, in Electrical Engineering from the Technion, Israel Institute of Technology, in 1981 and a M.Sc., cum laude, in Telecommunications and Computer Science from Tel Aviv University in 1987.

Igal Nissim has served as our Chief Financial Officer and has been a director since January 1999. Mr. Nissim has been employed by Comverse Technology since 1986 where he served as Chief Financial Officer from 1993 until 1998. Prior to this position, Mr. Nissim served as Chief Financial Officer of Efrat Future Technology Ltd. From 1984 to 1986, Mr. Nissim was employed by Gadot Industrial Enterprises Ltd. as deputy controller, responsible for financial and cost accounting. Mr. Nissim is a Certified Public Accountant in Israel and was employed for four years by Kesselman & Kesselman (now a member of PriceWaterhouseCoopers). Mr. Nissim received a B.A. in Economics and Accounting from the Tel-Aviv University in 1981.

David Kreinberg has been a director since January 1999. Mr. Kreinberg has served as Vice President of Finance and Chief Financial Officer of Comverse Technology, Inc. since May 1999. Previously, Mr. Kreinberg had served Comverse Technology as Vice President of Finance and Treasurer from April 1996 and as Vice President of Financial Planning from April 1994. Mr. Kreinberg also served as the Chief Financial Officer of Ulticom from December 1999 until September 2001. Mr. Kreinberg is also a director of Ulticom and SMARTS. Mr. Kreinberg is a Certified Public Accountant, and prior to joining Comverse Technology he served as a senior manager at Deloitte & Touche LLP. Mr. Kreinberg received a B.S., summa cum laude, in Accounting from Yeshiva University in 1986 and an M.B.A. in Finance and International Business from Columbia Business School in 1990.

William F. Sorin has been a director since January 1999. Mr. Sorin has served as a director and the Corporate Secretary of Comverse Technology Inc. since its formation in October 1984. Mr. Sorin is also a director of Ulticom and SMARTS. Mr. Sorin is an attorney engaged in private practice and is General Counsel to Comverse Technology. Mr. Sorin received a B.A. from Trinity College in 1970 and a J.D., cum laude, from Harvard Law School in 1973.

David T. Ledwell will become a director upon completion of this offering. Mr. Ledwell has served as the President and Chief Executive Officer of our subsidiary, Loronix, since September 1999. Mr. Ledwell also served as a director of Loronix from September 1999 until July 2000. From 1986 to 1998, Mr. Ledwell served in various senior executive capacities at DH Technology, Inc., a company engaged in the development, marketing, sales and support of transaction, bar code printers and credit card readers. From 1995 to 1998, Mr. Ledwell served as Executive Vice President responsible for several of the DH Technology's subsidiaries and divisions. Prior to 1986, Mr. Ledwell held various management positions with companies in the computer and electronics industries, including Texas Instruments and Datapoint Corporation. Mr. Ledwell holds a B.S. in Electrical Engineering from Colorado State University.

Paul D. Baker will become a director upon completion of this offering. Mr. Baker also serves as Vice President, Corporate Marketing and Corporate Communications of Comverse Technology, a position he has held since joining Comverse Technology in April 1991. Mr. Baker is also a director of Ulticom. Mr. Baker held various positions in sales, marketing, and corporate communications with Robotic Vision Systems, Inc. from 1984 to 1991. Mr. Baker received a B.S. in Management from Babson College in 1980 and an M.B.A. in Marketing Management from St. John's University in 1984.

Paul L. Robinson will become a director upon completion of this offering. Mr. Robinson has served as Associate General Counsel of Comverse Technology since January 1999. Prior to joining Comverse Technology, Mr. Robinson was an associate attorney at Kramer, Levin, Naftalis & Frankel, LLP from January 1998 to December 1998. From January 1997 to December 1997, Mr. Robinson served as

counsel to the United States Senate Committee on Governmental Affairs with respect to its special investigation into illegal and improper campaign fund-raising activities during the 1996 federal election. From June 1994 through January 1997, Mr. Robinson was an associate attorney at Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Robinson received a B.A. in political science and was Phi Beta Kappa from State University of New York at Binghamton in 1989 and a J.D., cum laude, from Boston University School of Law in 1992.

Victor De Marines will become a director upon completion of this offering. Mr. De Marines recently retired form his position as President and Chief Executive Officer of MITRE Corporation, a nonprofit organization, which provides security solutions for the computer systems of the Department of Defense, the Federal Aviation Administration, the Internal Revenue Service and several organizations in the U.S. intelligence community. Mr. De Marines currently serves on the board of trustees of MITRE. Mr. De Marines has recently served as an advisor to the Department of Defense on matters concerning the transformation of the military. Mr. De Marines is a member of an advisory group for the National Reconnaissance Office and is a member of the Massachusetts Business Roundtable. Mr. De Marines served as the a Presidential Executive with Department of Transportation and is a Lieutenant (retired) of the U.S. Air force. Mr. De Marines holds a B.S. from Pennsylvania State University and a M.S. in Electrical Engineering from the Northeastern University.

Howard Safir will become a director upon completion of this offering. Mr. Safir is the Chairman and Chief Executive Officer of SafirRosetti, Omnicom Group Inc., a premier company providing security and investigation services. Mr. Safir also serves as consultant to ChicePoint, a leading provider of credential verification and identification services. Prior to these positions, Mr. Safir served as the 39th Police Commissioner of the City of New York. Mr. Safir also served as Associate Director for Operations, U.S. Marshals Service, as Assistant Director of the Drug Enforcement Administration and as Chief of the Witness Security Division, U.S. Marshals Service. Mr. Safir holds a B.A. in History and Political Science from Hofstra University. Mr. Safir participated in several programs at Harvard University's John F. Kennedy School of Government. Mr. Safir was awarded the Ellis Island Medal of Honor among other citations and awards.

Key Employees

Elan Moriah has served as our Vice President for Contact Center Business Intelligence Solutions since May 2000. From 1995 until May 2000, Mr. Moriah held various senior management positions in Motorola Inc., including Business Development Manager for Europe, Middle East and Africa business at Motorola Inc.'s Schaumburg, Illinois based worldwide network services division, where he established large-scale joint ventures in the area of wireless communication. Mr. Moriah has also served as Vice President of Marketing and Sales of Motorola's paging subsidiary in Israel. From 1989 to 1995, Mr. Moriah worked for Comet Software Inc., as Vice President of Marketing and Sales and as Operations Manager. Mr. Moriah received a B.Sc., cum laude, in Industrial Engineering and Management from the Technion, Israel Institute of Technology, in 1988, and an M.B.A., summa cum laude, in International Business from the City University of New York in 1992.

David Worthley has served as President and Chief Executive Officer of our subsidiary Verint Technology Inc. since January 1999. From August 1997 to January 1999, Mr. Worthley served as our Vice President. Prior to joining our company, Mr. Worthley served as the Chief of the FBI's Telecommunications Industry Liaison Unit, which was responsible for the implementation of CALEA. Mr. Worthley joined the FBI in 1988 as a Special Agent. In 1991 Mr. Worthley was assigned to the FBI's engineering research facility where he supervised electronic surveillance matters. Prior to his employment with the FBI, Mr. Worthley worked as an account representative for Motorola Communications Sector from 1986 to 1988. From 1982 to 1986, Mr. Worthley worked as an audio engineer for ORTV Productions. Mr. Worthley received a B.S. in Telecommunications from Oral Roberts University in 1984 and is a 1988 graduate of the FBI Academy.

David Parcell has served as our Managing Director of Europe, Middle East and Africa, or EMEA, since May 2001. From July 1997 until joining our company Mr. Parcell was employed by Aspect Communications, where he served as Vice President, EMEA. From April 1994 to July 1997, Mr. Parcell served as United Kingdom Managing Director for Co-Cam, a subsidiary of Colonial (now First Wave Technologies). From July 1981 to January 1994, Mr. Parcell held various senior sales and general management positions at Datapoint UK Ltd., where he also served as Sales and Marketing Director for a period of four years. Prior to these positions, Mr. Parcell held sales positions at Unisys between June 1978 and June 1981, and with Olivetti between June 1975 and June 1978. Mr. Parcell received a B.Sc. with honors, in Economics and Law from the Surrey University in 1974.

Meir Sperling has served as a Managing Director of our subsidiary Verint Systems Ltd. since September 2000. From January 1999 to January 2000, Mr. Sperling was employed by ECI Telecom Ltd., where he served as Corporate Vice President, General Manager of the business systems division and a director in several of ECI's subsidiaries. From 1992 to 1999, Mr. Sperling served as Corporate Vice President and General Manager of the business and access systems divisions of Tadiran Telecommunications Ltd. Mr. Sperling also served as a director in several of Tadiran's subsidiaries. From 1987 to 1992, Mr. Sperling served as Director of Product Planning and Business Development of TEI, a U.S. subsidiary of Tadiran Ltd. Between 1975 and 1987, Mr. Sperling served in various positions in research and development at Tadiran, where he also served as a Director of research and development of Tadiran's business systems division. Mr. Sperling received a B.Sc. in Electronic Engineering from the Ben Gurion University, Israel, in 1975.

Board Composition and Terms of Directors

Our by-laws will authorize our board of directors to have not less than three and not more than twenty members. Upon completion of this offering our board of directors will have ten members. We intend to have additional directors, including an independent director, join our Board of Directors after the completion of this offering. Members of the board of director are elected each year at the annual meeting of stockholders to serve until the following annual meeting of stockholders or until their successors have been elected and qualified. Directors may be removed by the affirmative vote of the holders of a majority of the shares entitled to vote at an election of directors. There are no family relationships among any of our directors and executive officers.

Board Committees

Our board of directors currently has an executive committee and a compensation committee, and upon completion of this offering will also have an audit committee and a stock option committee. Members serve on these committees for one-year terms.

Our executive committee consists of Messrs. Alexander, Bodner, Kreinberg and Sorin. The executive committee has all the authority of the board, except with respect to items requiring stockholder approval or submission and except as otherwise required by law.

Our compensation committee consists of Messrs. Alexander, Bodner, Kreinberg and Sorin. The compensation committee makes recommendations to the board of directors regarding the various incentive compensation and benefit plans and determines salaries for the executive officers and incentive compensation for employees.

Our audit committee will initially consist of Messrs. De Marines and Safir. We intend to appoint an additional independent director who will become a member of this committee following the completion of this offering. The audit committee makes recommendations to the board of directors regarding the selection of independent public accountants, reviews the results and scope of the audit and other services provided by our independent public accountants and reviews and evaluate our control functions.

Our stock option committee will initially consist of Messrs. De Marines and Safir. We intend to appoint an additional independent director who will become a member of this committee following the completion of this offering. The stock option committee administers the issuance of stock options under our stock incentive compensation plan.

Nasdaq Requirements

Under the Nasdaq National Market listing requirements, we are required to form an audit committee consisting of at least three independent directors, all of whom are financially literate and one of whom has accounting or related financial management expertise. The responsibilities of the audit committee under the Nasdaq National Market listing requirements include evaluating the independence of a company's outside auditors. Two members of our audit committee will become our directors upon completion of this offering and an additional member of our audit committee will be appointed following the completion of this offering. In addition, we adopted an audit committee charter that complies with the Nasdaq National Market listing requirements.

Director Compensation

Our directors do not currently receive any cash compensation for serving on the board of directors or any committee of the board. Our directors are reimbursed for the expenses they incur in attending meetings of the board or board committees. We have granted our directors options to purchase share of our common stock.

Our independent directors will be entitled to receive an annual cash compensations of $15,000, payable in arrears at the end of each fiscal quarter and an additional $1,000 for each board meeting attended and $500 for each board committee meeting attended. Effective upon completion of this offering, we will grant

to each of Howard Safir and Victor De Marines vested options to purchase shares of our common stock at an exercise price equal to the initial public offering price. In addition, on each anniversary of the completion date of this offering our independent directors will be granted options to purchase shares of our common stock at an exercise price equal to the trading price of our common stock on the date of grant. These options will vest in increments of shares for each board meeting attended during the year.

Compensation Committee Interlocks and Insider Participation

Executive compensation decisions in fiscal 2001 were made exclusively by our Chairman, Kobi Alexander. No interlocking relationship exists between our board of directors and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past.

Executive Compensation

The following table sets forth information concerning compensation we paid or incurred on our behalf to our chief executive officer and our other executive officer during fiscal 1999, fiscal 2000 and fiscal 2001.

SUMMARY COMPENSATION TABLE

		Annual Compensation		
Name and Principal Position	Fiscal Year	Salary(1)	Bonus(2)	Other Annual Compensation
Dan Bodner, President and Chief Executive Officer	2001	$ 200,000	$ 50,000	$ 2,000
	2000	$ 193,953	$ 70,000	$ 5,379
	1999	$ 120,750	$ 12,125	$ 50,644
Igal Nissim, Chief Financial Officer	2001	$ 135,837	$ 25,000	$ 25,407
	2000	$ 121,701	$ 14,410	$ 23,289
	1999	$ 110,110	$ 0	$ 21,676

(1) Includes salary and payments in lieu of earned vacation.

(2) Includes bonuses accrued for services performed in the year indicated regardless of the year of payment.

Stock Option Information

The following table sets forth information concerning options granted during fiscal 2001 to our executive officers identified above under our incentive compensation stock option plan. These options vest in four equal annual increments commencing from the date of grant.

STOCK OPTION GRANTS IN LAST FISCAL YEAR

	Individual Grants					
					Value of Unexercised In-the-Money Options at January 31, 2002*	
Name	Number of Shares Subject to Option	Percent of Total Options Granted to Employees in Period	Exercise Price per Share	Expiration Date	Exercisable	Unexercisable
Dan Bodner	250,000	5.6%	$ 1.70	April 1, 2011		
Igal Nissim	125,000	2.8%	$ 1.70	April 1, 2011		

* The value of the unexercised options set forth above has been calculated by subtracting the exercise price form the assumed initial offering price of $ per share and multiplying that amount by the number of shares underlying the option.

YEAR-END OPTION VALUES

No options granted by us were exercised by the executive officers during fiscal 2001. The following table provides certain information concerning options granted by us as of January 31, 2002, with respect to each of the executive officers. The value of the unexercised options set forth below has been calculated by subtracting the exercise price from the assumed initial offering price of $ per share and multiplying that amount by the number of shares underlying the option.

	Number of Securities Underlying Unexercised Options at January 31, 2002	Value of Unexercised In-the-Money Options at January 31, 2002

	Exercisable	Unexercisable	Exercisable	Unexercisable
Dan Bodner	487,501	512,499		
Igal Nissim	172,500	332,500		

Verint Systems Inc. Stock Incentive Compensation Plan

The purpose of this plan is induce key personnel, including employees, directors, independent contractors, and other persons rendering valued services, to remain in the employ or service of our company, our subsidiaries and affiliates, to attract new personnel and to encourage such personnel to secure or increase on reasonable terms their stock ownership in our company.

General. Options granted under the plan are intended to be either incentive stock options or options not intended to be incentive stock options, called non-qualified options, or a combination thereof. We have reserved 25,000,000 shares of our common stock for issuance upon exercise of awards under the plan.

Administration. The plan has been to date, and up to the closing of this offering will be, administered by a committee. Following completion of this offering, the plan will be administered by a stock option committee consisting of Messrs. De Marines and Safir.

Eligibility. Employees of our company or our affiliates may receive incentive stock options. Non-qualified options may be granted to employees of our company or our affiliates, directors and to independent contractors rendering services to our company or our affiliates.

Deferred Stock. An award of deferred stock is an agreement by our company to deliver to a recipient a specified number of shares of common stock at the end of a specified deferral period or periods. Before the issuance and delivery of the deferred stock, the recipient does not have any rights as a stockholder with respect to any shares of deferred stock credited to his or her account. Dividends declared during the deferral period on shares covered by a deferred stock award will be paid to the recipient currently, or deferred and deemed to be reinvested in additional deferred stock, or otherwise reinstated on terms as the committee may determine at the time of the award. The stock option committee may condition the grant of the deferred stock award or the expiration of the deferral period upon the recipient's achievement of one or more performance goals. Shares of deferred stock credited to the account of the recipient are issued and delivered to the employee at the end of the deferral period under the terms of the deferred stock agreement. The committee may, in its sole discretion, accelerate the delivery of all or any part of a deferred stock award or waive the deferral limitations for all or any part of the deferred stock award.

Restricted Stock. An award of restricted stock to a recipient is a grant by our company of a specified number of shares of common stock subject to forfeiture upon the happening of specified events. The certificates representing shares of restricted stock are legended as to sale, transfer, assignment, pledge or other encumbrances during the restriction period and are deposited by the recipient, together with a stock power endorsed in blank, with our company, to be held in escrow

during the restriction period. Unless the stock option committee determines otherwise, during the restriction period the recipient has the right to receive dividends from and to vote the shares of restricted stock. The committee may condition the grant of an award of restricted stock or the expiration of the restriction period upon the employee's achievement of one or more performance goals. The committee may, in its sole discretion, modify or accelerate the vesting and delivery of shares of restricted stock.

Stock Appreciation Rights. Stock appreciation rights are rights to receive payment in cash, common stock, restricted stock or deferred stock or any combination of these equal to the increase in the fair market value of a specified number of shares of common stock from the date of grant of the rights to the date of exercise. Stock appreciation rights may be granted in tandem with all or a portion of a related option under the plan, or may be granted separately as a freestanding stock appreciation right. A tandem stock appreciation right may be granted either at the time of the grant of the option or at any time thereafter during the term of the option and may be exercisable only to the extent that the related option is exercisable. No stock appreciation right may be exercisable within the first six months of its grant. The base price of a tandem stock appreciation right may only be the option price under the related option. The base price of a freestanding stock appreciation right may not be less than 100% of the fair market value of the common stock, as determined by the stock option committee, on the date of grant.

Options. Options give a recipient the right to purchase a specified number of shares of common stock from us for a specified time period at a fixed price. The price per share at which common stock may be purchased upon exercise of an option is determined by the stock option committee; however, in the case of grants of incentive stock options, the price per share may not be less than the fair market value of a share of common stock on the date of grant. In case of any incentive stock option granted to a person who owns stock possessing more than 10% of the total combined voting power of all classes of our capital stock, the option price per share will not be less than 110% of the fair market value of a share of common stock on the date of grant. The option price per share for non-qualified options may be less than the fair market value of a share of common stock on the date of grant.

Option terms may not be greater than 10 years, or five years in the case of an incentive stock option granted to a holder of 10% or more of the voting power of our capital stock. Except as provided in an option agreement, the price upon exercise of an option will be paid in full at the time of the exercise in cash, or in the sole determination of the committee in shares of common stock at the fair market value on the date of exercise or a combination of cash and shares. The committee or our board of directors may in their discretion extend the period during which an option held by an employee of, or consultant to, our company or any affiliate may be exercised to a period not to exceed three years following the termination of an employee's employment or service, as the committee or our board of directors may determine to be appropriate in any particular instance.

Adjustments Upon a Change in Control. Except as otherwise provided by applicable agreement, upon the occurrence of a change in control, excluding a hostile change of control, the committee may elect to provide that all outstanding options and stock appreciation rights will immediately vest and become exercisable, each deferral period and restriction period will immediately lapse, or all shares of deferred stock subject to outstanding awards will be issued and delivered to the recipient. In the event of a hostile change in control, each of the foregoing actions will occur automatically upon the occurrence of the hostile change in control. At any time before a change in control, the committee may, without the consent of any recipient:

- require the entity effecting the change in control or a parent or subsidiary of the entity to assume each outstanding stock incentive award or substitute an equivalent stock incentive award, or

- terminate and cancel all outstanding stock incentive award upon the change in control and pay the recipient cash equal to the product of (x) the difference between the fair market value of common stock on the date of the change in control and the exercise price of the stock incentive award and (y) the number of shares of common stock subject to the stock incentive award.

Effective Date, Termination and Amendment. The plan will remain effective until March 10, 2012, or the date it is terminated by our board of directors. Under the provisions of Section 16 of the plan, our board of directors has the power to amend, suspend or terminate the plan at any time; however, the board may not effect any of the following amendments without stockholder approval:

- increasing the total number of shares available for issuance under the plan;
- changing the class of individuals eligible to participate under the plan;
- change the manner of determining the option prices which would result in a decrease in the option or stock incentive award price; or
- extend the period during which an stock incentive award may be granted or exercised.

2002 Employee Stock Purchase Plan

We expect to adopt an employee stock purchase plan prior to the completion of this offering. The purpose of this plan is to provide a method whereby our employees and those of our eligible subsidiaries, if any, will have an opportunity to acquire a proprietary interest in our company through the purchase of shares of our common stock.

General. The plan is intended to comply with the provisions of Section 423 of the U.S. Internal Revenue Code of 1986, as amended, generally referred to as the Code. The plan will allow eligible employees who elect to participate in the plan to make purchases of our common stock through payroll deductions at a price of 85% of the fair market value of our common stock on the first day or last day of each offering period, whichever is lower. Participants will be limited by the Code to a maximum of $25,000 deducted from their compensation under the plan during any calendar year.

Administration. The plan will be administered by our compensation committee, which will be authorized to decide questions of eligibility and to make rules and regulations for the administration and interpretation of the plan, subject to final authority of our board of directors. All determinations of the compensation committee with respect to the plan will be binding. The expenses of administering the plan will be borne by us.

Shares Available Under the Plan. Under the Plan, we will issue an aggregate of not more than 5,000,000 shares of our company's common stock. The maximum number of shares issuable under the plan will be subject to adjustment for any dividend, stock split or other relevant change in our capitalization.

Eligibility. With certain exceptions, all employees who have been employed by us or an eligible subsidiary, if any, for at least three months, are eligible to participate in the plan. The purchase of shares under the plan will be voluntary, and we cannot determine the number of shares to be purchased under the plan.

Operation of the Stock Purchase Plan. Our common stock will be purchased under the plan through semi-annual offering periods. The first offering is expected to begin on September 1, 2002. Offering periods will begin on March 1 and September 1 of each year.

A participant may elect to have up to 10% of his or her base pay withheld from his or her pay for this purpose. The price at which the participant may purchase shares will be the lower of (i) 85% of

the last sale price of our common stock on the Nasdaq National Market on the first day of the offering period or (ii) 85% of such price on the last day of the offering period.

Amendment. Our board of directors may at any time, and from time to time, modify, terminate or amend the plan in any respect without obtaining stockholder approval, except where the approval of our stockholders is required under (i) Section 423 of the Code, (ii) Rule 16b-3 of the Exchange Act or any successor provisions or (iii) under any applicable listing requirement of Nasdaq.

The termination, modification or amendment of this plan shall not, without the consent of a participant, affect his or her rights under a purchase option previously granted to the participant. With the consent of the participant affected, our board of directors may amend outstanding purchase options in a manner not inconsistent with the terms of the plan. Our board of directors shall also have the right to amend or modify the terms and provisions of the plan and of any purchase options previously granted under the plan to the extent necessary to ensure the continued qualification of the plan under Section 423 of the Code and Rule 16b-3. The plan also contains provisions relating to the disposition of purchase options in the event of certain mergers or other significant transactions in which we may be involved.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Relationship with Comverse Technology and its Subsidiaries

We are a subsidiary of Comverse Technology. Set forth below is a brief description of the existing relationships and agreements between us and Comverse Technology.

Corporate Services Agreement

We have a corporate services agreement with Comverse Technology. Under this agreement, Comverse Technology provides us with the following services:

- routine legal services;
- administration of employee benefit plans;
- maintaining in effect a policy of directors' and officers' insurance covering our directors and officers;
- maintaining in effect general liability and other insurance policies providing coverage for us; and
- consulting services with respect to our public relations.

As of February 1, 2002, we are required to pay Comverse Technology a quarterly fee of $131,250, subject to adjustment and annual increases, for the services provided by Comverse Technology during each fiscal quarter. In addition, we agree to reimburse Comverse Technology for any out-of-pocket expenses incurred by Comverse Technology in providing the services. During fiscal 1999, fiscal 2000 and fiscal 2001 no amounts were paid to Comverse Technology for reimbursement of out-of-pocket expenses. The term of this agreement extends to January 31, 2005 and is automatically extended for additional twelve-month periods unless terminated by either Comverse Technology or us. Since February 1, 1999, Comverse Technology has been providing these services to us for a quarterly fee that has ranged from $118,750 to $131,250.

Enterprise Resource Planning Software Sharing Agreement

In January 2002, we entered into an enterprise resource planning, or ERP, software sharing agreement with Comverse. Under this agreement, Comverse agreed to continue to share the use of specific ERP software with us and undertook to exert its reasonable commercial efforts to arrange for the ongoing operation, maintenance and support of the software for an annual fee of $100,000. The terms of the ERP Software Sharing Agreement and the fee payable to Comverse were determined by arm's length negotiations between us and Comverse. We have been sharing the ERP software with Comverse since February 1999. During fiscal 1999, fiscal 2000 and fiscal 2001, we recorded expenses of $1,500,000, $200,000 and $100,000 respectively, for services relating to our use of the ERP Software.

Satellite Services Agreement

In January 2002, we entered into a services agreement with Comverse pursuant to which Comverse provides us with the exclusive use of the services of specified employees of Comverse and its facilities where such employees are located. Under this agreement, we pay Comverse a quarterly fee, which is equal to the expenses Comverse incurs in providing these services plus ten percent. For services rendered by Comverse during fiscal 1999, fiscal 2000 and fiscal 2001, we recorded expenses of $459,000, $1,193,000 and $1,817,000 respectively.

We believe that the terms of the Corporate Services Agreement, the Enterprise Resource Planning Software Sharing Agreement and the Satellite Services Agreement are fair to us and are not materially different than those we could have obtained from an unaffiliated third party.

Federal Income Tax Sharing Agreement

We have a tax sharing agreement with Comverse Technology. Comverse Technology is the parent company of a group of companies which includes us and for which Comverse Technology files a consolidated federal income tax return. After this offering is completed we expect that we will continue to be included in the Comverse Technology consolidated group for federal income tax purposes and that we will not file our own federal income tax return. Under the terms of the tax sharing agreement, during years in which Comverse Technology files a consolidated federal income tax return which includes us, we pay Comverse Technology an amount equal to our separate tax liability computed by Comverse Technology in its reasonable discretion. Our separate tax liability generally is the amount of federal income tax that we would owe if we had filed a tax return independent of the Comverse Technology group. If the calculation of our tax liability for any year results in a net operating loss or capital loss, we are not entitled to receive any payments from Comverse Technology with respect to such loss in such year or as a result of carrying such loss back to any prior year or forward to any future year, or otherwise to take such loss into account in determining our liability to Comverse Technology, including in the event that Comverse Technology utilizes such loss to reduce its own tax liability so that such loss is not available to us in the event of deconsolidation. The tax sharing agreement also provides for certain payments in the event of adjustments to the tax liability. The tax sharing agreement continues in effect until 60 days after the expiration of the applicable statute of limitations with respect to the final year of the Comverse Technology consolidated group which includes us.

Patent License Agreement

Our affiliate, Comverse Patent Holding, granted Lucent GRL a non-exclusive license to those patents now owned by Comverse Patent Holding or for which Comverse Patent Holding has a right to license and to those patents granted to Comverse Patent Holding or for which Comverse Patent Holding obtains the right to license during the terms of that arrangement. In return, Comverse Patent Holding was granted a non-exclusive license to certain patents now owned by Lucent GRL or for which Lucent GRL has the right to license and to those patents granted to Lucent GRL or for which Lucent GRL obtains the right to license during the term of that arrangement. Under that arrangement, Comverse Patent Holding has the right to grant a sublicense to us. In connection with that arrangement, effective December 30, 1999, we entered into a patent license agreement with Comverse Patent Holding under which we have granted a non-exclusive royalty-free license to Comverse Patent Holding with the right to sublicense to Lucent GRL our patents and those patents granted to us or for which we obtain the right to license during the term of the agreement. In return, Comverse Patent Holding granted to us a non-exclusive royalty-free sublicense to all patents that are licensed by Lucent GRL to Comverse Patent Holding. We believe that the value of our sublicense from Comverse Patent Holding is greater than the value of our license to Comverse Patent Holding.

Registration Rights Agreement

We have entered into a registration rights agreement with Comverse Technology. Under this Agreement, Comverse Technology may require us on one occasion to register our common stock for sale on Form S-1 under the Securities Act if we are not eligible to use Form S-3 under that Act. After we become

eligible to use Form S-3, Comverse Technology may require us on unlimited occasions to register our common stock for sale on this form. Comverse Technology will also have an unlimited number of piggyback registration rights. This means that any time we register our common stock for sale, Comverse Technology may require us to include shares of our common stock held by it in that offering and sale. Comverse Technology will not be allowed to exercise any registration rights during the 180-day lock-up period.

We have agreed to pay all expenses that result from registration of our common stock under the registration rights agreement, other than underwriting commissions for such shares and taxes. We have also agreed to indemnify Comverse Technology, its directors, officers and employees against liabilities that may result from its sale of our common stock, including Securities Act liabilities.

Business Opportunities Agreement

We have a business opportunities agreement with Comverse Technology which addresses potential conflicts of interest between Comverse Technology and us. This agreement allocates between Comverse Technology and us opportunities to pursue transactions or matters that, absent such allocation, could constitute corporate opportunities of both companies. We are precluded from pursuing an opportunity offered to any person who is a director of our company but not an officer or employee of our company and who is also an officer or employee of Comverse Technology, unless Comverse Technology fails to pursue such opportunity diligently. Comverse Technology is precluded from pursuing an opportunity offered to any person who is a director of Comverse Technology but not an officer or employee of Comverse Technology and who is also an officer or employee of our company, unless we fail to pursue such opportunity diligently. We are also precluded from pursuing an opportunity offered to any person who is an employee or officer of both companies or a director of both companies, unless Comverse Technology fails to pursue such opportunity diligently. Accordingly, we may be precluded from pursuing transactions or opportunities that we would otherwise be able to pursue if we were not affiliated with Comverse Technology. We have agreed to indemnify Comverse Technology and its directors, officers, employees and agents against any liabilities arising out of any claim that any provision of the agreement or the failure to offer any business opportunity to us violates or breaches any duty that may be owed to us by Comverse Technology or any such person.

Proxy Agreement with the Department of Defense

We and Comverse Technology are parties to a proxy agreement with the Department of Defense concerning the ownership and operations of our subsidiary Verint Technology Inc. See "Business—Proxy Agreements with the Department of Defense."

Contribution Agreement

We entered into a contribution agreement, dated as of February 1, 2001, with Comverse Technology, pursuant to which we acquired from Comverse Technology all of the outstanding shares of Loronix and all of the outstanding shares of Comverse GmbH, which directly and through a wholly-owned subsidiary holds all of the partnership interests in Syborg, in exchange for 34,539,905 shares of our common stock. Under this agreement, we received all of the burdens, benefit and incidents of ownership in each of the companies as of February 1, 2001. This transaction was designed to qualify as a tax-free exchange pursuant to section 351(a) of the Code.

This transaction was accounted for as a pooling of interests. Our consolidated financial statements for the year ended January 31, 2000, include the operations of Loronix and Syborg for the year ended December 31, 1999.

Sale of Comverse Media Holding Inc.

On February 1, 2001, we sold 100% of the capital stock of Comverse Media Holding Inc., or Media, to Comverse. The purchase price for the shares of Media was $100,000, which was paid by a reduction in intercompany debt that we owed to Comverse.

Indemnification Agreement with Comverse Technology

On January 31, 2002, we entered into an indemnification agreement with Comverse Technology pursuant to which Comverse Technology agreed to indemnify us for any damages that may arise from two specified disputes which are not material to us. In return, we granted to Comverse Technology the exclusive control of the settlement and defense of these disputes, and we agreed to fully cooperate with Comverse Technology in any such settlement or defense.

Transactions with an Affiliate

We sell products and services to Comverse Infosys (Singapore) PTE LTD., or Infosys Singapore, an affiliated systems integrator in which we hold a 50% equity interest. Sales to Infosys Singapore were approximately $961,000, $4,271,000 and $4,024,000 for the fiscal years ended January 31, 2000, 2001 and 2002, respectively. We sell our products and services to Infosys Singapore on the same terms that we sell similar products and services to our non-affiliated customers. In addition, Infosys Singapore charged us for marketing and office service fees of approximately $56,000, $270,000 and $490,000 for fiscal 1999, fiscal 2000 and fiscal 2001, respectively. We believe that Infosys Singapore has determined these charges on the basis of its estimated costs in providing such services.

Transactions with Other Subsidiaries of Comverse Technology

We charge subsidiaries of Comverse Technology for services relating to the use of our facilities and employees. Charges to these subsidiaries were approximately $365,000, $1,006,000 and $1,030,000 for fiscal 1999, fiscal 2000 and fiscal 2001, respectively.

We also purchased products and services from other subsidiaries of Comverse Technology in the ordinary course of our business. Purchases from these subsidiaries were approximately $268,000, $0 and $2,000 for fiscal 1999, fiscal 2000 and fiscal 2001, respectively. We believe that these sales are made on the same terms as provided by such affiliated entities to their non-affiliated customers.

Guarantees of Our Obligations to Third Parties

As of February 1, 2000, we had $25.2 million of outstanding indebtedness owed to Comverse Technology resulting from loans made by Comverse Technology to fund our working capital requirements. During fiscal 1999, fiscal 2000 and fiscal 2001, we borrowed an additional $5.7 million, $9.9 million, and $1.2 million, respectively, which was inclusive of accrued and unpaid interest, additional loans, and fees charged by Comverse Technology for corporate services. We had no repayments to Comverse Technology during these periods. On January 31, 2002, we borrowed $42 million under a term loan from a bank. We used the proceeds of this loan to repay our outstanding indebtedness owed to Comverse Technology. At January 31, 2002, we had outstanding indebtedness to Comverse Technology of $0.7 million which we intend to repay in the fiscal quarter ended April 30, 2002. The bank loan is guaranteed by Comverse Technology. During fiscal 1999, fiscal 2000 and fiscal 2001, we were charged with interest on our indebtedness to Comverse Technology in an amount equal to approximately $1,357,000, $2,142,000 and $1,458,000, respectively. The interest rate on our indebtedness to Comverse Technology was the three-month LIBOR rate during fiscal 1999, fiscal 2000 and fiscal 2001. We do not expect to be dependent on Comverse Technology for our financing needs for the foreseeable future.

Comverse Technology has guaranteed the payment of rent and the performance of all other obligations under the leases for our facilities in Woodbury, New York and the lease for our facility in the United Kingdom. In addition, Comverse Technology has guaranteed the payment of the convertible note issued by us to Lanex, LLC.

PRINCIPAL STOCKHOLDERS AND SELLING STOCKHOLDER

The following table contains information with respect to the beneficial ownership of our common stock as of January 31, 2002, and as adjusted to reflect the sale of common stock in this offering by:

- each person who we know beneficially owns more than 5% of our common stock;
- each of our directors and named executive officers individually;
- all of our directors and executive officers as a group; and
- the stockholder who is selling shares in this offering.

Unless otherwise indicated, to our knowledge, all persons listed below have sole voting and investment power with respect to their shares of common stock. Share ownership in each case includes shares issuable upon exercise of outstanding options that are exercisable within 60 days after January 31, 2002. Each of our directors and executive officers who is also a director or officer of Comverse Technology disclaims ownership of the shares of our common stock owned by Comverse Technology. Unless otherwise indicated, the address of the beneficial owners is c/o Verint Systems Inc., 234 Crossways Park Drive, Woodbury, New York, 11797.

	Shares of Common Stock Beneficially Owned Before the Offering[1]		Shares to be Sold in this Offering	Shares of Common Stock Beneficially Owned After the Offering		Number of Options Not Exercisable Within 60 Days
	Number	Percentage[2]	Number	Percentage[3]		
Principal Stockholders:						
Comverse Technology, Inc.	94,989,905	98.4%	—			—
Directors and Executive Officers:						
Kobi Alexander[6]	2,128,000[4]	2.2%	—			304,000
Dan Bodner[7]	590,127[5]	*	—	*		413,623
Igal Nissim[8]	298,750[5]	*	—	*		206,250
David Kreinberg[9]	25,000[5]	*	—	*		35,000
William F. Sorin[10]	11,250[5]	*	—	*		3,750
David T. Ledwell[11]	37,500[5]	*	—	*		112,500
Paul D. Baker[12]	15,000[5]	*	—	*		10,000
Paul Robinson[13]	13,750[5]	*	—	*		11,250
All executive officers and directors as a group (five persons)	3,119,377[14]	3.2%	—			1,096,373
Selling Stockholder:						
AKR Enterprises, LLC[15]	700,000	*	700,000	—		—

* Less than 1%

(1) Unless otherwise indicated and except pursuant to applicable community property laws, to our knowledge, each person or entity listed in the table above has sole voting and investment power with respect to all ordinary shares listed as owned by such person or entity.

(2) Based on 96,530,836 shares of common stock outstanding prior to this offering.

(3) Based on shares of common stock outstanding immediately following this offering.

(4) Mr. Alexander beneficially owns 594,576 shares of our common stock and options to purchase 1,533,424 shares of our common stock exercisable within 60 days after January 31, 2002.

(5) Consists of shares of our common stock issuable upon the exercise of options exercisable within 60 days after January 31, 2002.

(6) Mr. Alexander beneficially owns 25,260 shares of Comverse Technology common stock and options to purchase 3,839,736 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2002.

(7) Mr. Bodner beneficially owns 35,023 shares of Comverse Technology common stock and options to purchase 12,500 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2002.

(8) Mr. Nissim beneficially owns 576 shares of Comverse Technology common stock and options to purchase 22,500 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2002.

(9) Mr. Kreinberg beneficially owns 17,729 shares of Comverse Technology common stock and options to purchase 107,810 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2002.

(10) Mr. Sorin beneficially owns options to purchase 85,627 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2002.

(11) Mr. Ledwell beneficially owns 770 shares of Comverse Technology common stock and options to purchase 11,775 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2002.

(12) Mr. Baker beneficially owns 14 shares of Comverse Technology common stock and options to purchase 24,000 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2002.

(13) Mr. Robinson beneficially owns options to purchase 15,371 shares of Comverse Technology common stock exercisable within 60 days after January 31, 2002.

(14) Consists of 594,576 shares of our common stock and 2,524,801 shares of our common stock issuable upon the exercise of options exercisable within 60 days after January 31, 2002.

(15) Represents 700,000 shares issuable upon conversion of an outstanding convertible note upon the completion of this Offering.

DESCRIPTION OF CAPITAL STOCK

Upon completion of this offering, our authorized capital stock will consist of shares of common stock, par value $.001 per share and shares of preferred stock, par value $ per share. We refer you to our certificate of incorporation and bylaws, both of which have been filed as exhibits to the registration statement of which this prospectus forms a part, and the applicable provisions of the Delaware General Corporation Law.

Common Stock

Voting Rights. Holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of common stock do not have cumulative voting rights in the election of directors. Accordingly, Comverse Technology, our controlling stockholder, may elect all of the directors standing for election.

Dividends. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of common stock are entitled to receive ratably such dividends, if any, as the board of directors may declare on the common stock out of funds legally available for that purpose.

Liquidation. Upon the liquidation, dissolution or winding up of Verint, holders of common stock are entitled to share ratably in all assets remaining after the payment of all debts and other liabilities and the liquidation preferences of any outstanding shares of preferred stock.

Preferred Stock

There are no shares of preferred stock outstanding. The board of directors has the authority, without further action by the stockholders, to issue up to shares of preferred stock, par value $ per share, in one or more series and to fix the powers, preferences, privileges and rights thereof, and the number of shares constituting any series or the designation of the series, without any further vote or action by stockholders. We believe that the board of directors' authority to set the terms of, and our ability to issue, preferred stock will provide flexibility in connection with possible financing transactions in the future. The issuance of preferred stock, however, could adversely affect the voting power of holders of common stock, and the likelihood that the holders will receive dividend payments and payments upon liquidation and could have the effect of delaying, deferring or preventing a change in control in us. We have no present plans to issue any shares of preferred stock.

Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws and State Law Provisions With Potential Antitakeover Effect

Certificate of Incorporation; By-laws

Our certificate of incorporation and by-laws contain provisions that could make more difficult the acquisition of the company by means of a tender offer, a proxy contest or otherwise.

Advance Notice Procedures. Our by-laws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors, or bring other business before an annual or special meeting of our stockholders. This notice procedure provides that only persons who are nominated by, or at the direction of our board of directors or by a stockholder who has given timely written notice to the secretary of our company prior to the meeting at which

directors are to be elected will be eligible for election as directors. The procedure also requires that, in order to raise matters at an annual or special meeting, those matters be raised before the meeting pursuant to the notice of meeting we deliver or by, or at the direction of, our board of directors or by a stockholder who is entitled to vote at the meeting and who has given timely written notice to the secretary of our company

of his intention to raise those matters at the annual meeting. If our chairman or other officer presiding at a meeting determines that a person was not nominated, or other business was not brought before the meeting, in accordance with the notice procedure, that person will not be eligible for election as a director, or that business will not be conducted at the meeting.

Authorized but Unissued Shares. The authorized but unissued shares of common stock are available for future issuance without stockholder approval. We may use these additional shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

The Delaware General Corporation Law

We are subject to Section 203 of the Delaware General Corporation Law, or DGCL, which regulates corporate acquisitions. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with any person who, after this offering, becomes an interested stockholder for a period of three years following the date the person became an interested stockholder, unless:

- the board of directors approved the transaction in which such stockholders became an interested stockholder prior to the date the interested stockholder attained such status;
- upon consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, he or she owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors and also officers and employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; and
- the business combination is approved by a majority of the board of directors and by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Limitation of Liability of Directors and Officers

Our certificate of incorporation provides that our directors will not be personally liable to us or our stockholders for damages for breach of any duty owed to us or our stockholders except for liability for: (i) any breach of the director's duty of loyalty to us or our stockholders, (ii) acts or omissions not in good faith or, in failing to act, not having acted in good faith, or which involve intentional misconduct or a knowing violation of law, (iii) any matter for which a director shall be liable under Section 174 of the DGCL, or (iv) having derived an improper personal benefit.

Indemnification of Directors and Officers

Our certificate of incorporation provides that every person who is or was our director, officer, employee or agent or is or was a director, officer, trustee, employee or agent of any other enterprise, serving as such at our request, shall be indemnified to the fullest extent permitted by law for all expenses and liabilities in connection with any proceeding involving such person in this capacity. We entered into an indemnification agreement with each of our directors and officers under which we agreed to provide indemnification and expense reimbursement as outlined above.

We have agreed to indemnify Comverse Technology and its directors, officers, employees and agents against any liabilities arising out of any claim that any provision of the business opportunities agreement entered into by us and Comverse Technology breaches any duty that may be owed to us by Comverse Technology or any such person.

Under the corporate services agreement described above, Comverse Technology has directors' and officers' liability insurance which also provides coverage for our officers and directors.

Listing

We intend to have our common stock quoted on the Nasdaq National Market under the symbol "VRNT".

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company. Its address is 59 Maiden Lane, New York, New York 10038 and its telephone number at this location is (212) 936-5100.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of our common stock in the public market after the offering could cause the market price of our common stock to fall and could affect our ability to raise equity capital in the future on terms favorable to us.

Upon completion of this offering, we will have issued and outstanding an aggregate of shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options to purchase common stock. All of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act.

The remaining shares were issued and sold by us in private transactions, are restricted securities and may be sold in the public market only if registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 under the Securities Act, which rules are summarized below. Subject to the provisions of Rule 144, these shares will be available for sale in the public market as follows:

- shares will be available for immediate sale in the public market after the date of this prospectus; and
- shares will be available for sale upon the expiration of lock-up agreements 180 days after the date of this prospectus.

Lock-up Agreements

We, all of our officers and directors, Comverse Technology and some of our other stockholders will sign a lock-up agreement under which each will agree not to transfer, dispose of or hedge any shares of common stock or any securities convertible into or exchangeable for shares of common stock for a period of 180 days from the date of this prospectus. Transfer or dispositions can be made sooner with the prior written consent of Lehman Brothers Inc.

Rule 144

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

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Under Rule 144(k), a person who has not been one of our affiliates at any time during the three months before a sale, and who has beneficially owned the restricted shares for at least two years, is entitled to sell the shares immediately after the date of this prospectus without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Registration Rights

We have entered into a registration rights agreement with Comverse Technology. See "Certain Relationships and Related Transactions—Relationship with Comverse Technology and its Subsidiaries." We do not have any other contractual obligations to register our common stock.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the ownership and disposition of our common stock applicable to Non-U.S. Holders. A "Non-U.S. Holder" is a beneficial owner of our common stock that holds our common stock as a capital asset and who is generally an individual, corporation, estate or trust other than:

- an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes;
- a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized in the U.S. or under the laws of the U.S. or of any subdivision thereof;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of source; and
- a trust subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons.

The following discussion does not consider specific facts and circumstances that may be relevant to a particular Non-U.S. Holder's tax position and does not consider U.S. state and local or non-U.S. tax consequences. Further, it does not consider Non-U.S. Holders subject to special tax treatment under the federal income tax laws (including partnerships or other pass-through entities, banks and insurance companies, dealers in securities, holders of securities held as part of a "straddle," "hedge," "conversion transaction" or other risk-reduction transaction and persons who hold or receive common stock as compensation). The following discussion is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, applicable Treasury regulations, and administrative and judicial interpretations as of the date of this prospectus, all of which are subject to change, possibly on a retroactive basis, and any change could affect the continuing validity of this discussion.

The following summary is included herein for general information. Accordingly, each prospective Non-U.S. Holder is urged to consult a tax advisor with respect to the federal, state, local or non-U.S. tax consequences of holding and disposing of common stock.

U.S. Trade or Business Income

For purposes of the following discussion, dividends and gains on the sale, exchange or other disposition of our common stock will be considered to be "U.S. trade or business income" if such income or gain is (i) effectively connected with the conduct of a U.S. trade or business or (ii) in the case of a treaty resident, attributable to a permanent establishment (or, in the case of an individual, a fixed base) in the U.S. Generally, U.S. trade or business income is subject to U.S. federal income tax on a net income basis at regular graduated tax rates. Any U.S. trade or business income received by a Non-U.S. Holder that is a corporation may, under specific circumstances, be subject to an additional "branch profits tax" at a 30% rate or a lower rate that an applicable income tax treaty may specify.

Dividends

Dividends paid to a Non-U.S. Holder of common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate unless the dividends are U.S. trade or business income and the Non-U.S. Holder files a properly executed IRS Form W-8ECI with the withholding agent.

The 30% withholding rate may be reduced if the Non-U.S. Holder is eligible for the benefits of an income tax treaty that provides for a lower rate. Generally, to claim the benefits of an income tax treaty, a Non-U.S. Holder of common stock will be required to provide a properly executed IRS Form W-8BEN and satisfy applicable certification and other requirements. A Non-U.S. Holder of common stock that is eligible for a reduced rate of U.S. withholding tax under an income tax treaty

may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS. A Non-U.S. Holder should consult its tax advisor on its entitlement to benefits under a relevant income tax treaty.

Disposition of Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax in respect of gain recognized on a disposition of common stock unless:

- the gain is U.S. trade or business income;
- the Non-U.S. Holder is an individual who is present in the U.S. for 183 or more days in the taxable year of the disposition and meets other requirements;
- the Non-U.S. Holder is subject to U.S. tax under provisions applicable to certain U.S. expatriates (including certain former citizens or residents of the U.S.); or
- we are or have been a "U.S. real property holding corporation" (a "USRPHC") for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition and the Non-U.S. Holder's holding period for the common stock.

The tax relating to stock in a USRPHC does not apply to a Non-U.S. Holder whose holdings, actual and constructive, at all times during the applicable period, amount to 5% or less of the common stock, provided that the common stock is regularly traded on an established securities market. Generally, a corporation is a USRPHC if the fair market value of its "U.S. real property interests" equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We believe that we have not been and are not currently a USRPHC for U.S. federal income tax purposes, nor do we anticipate becoming a USRPHC in the future. However, no assurance can be given that we will not be a USRPHC when a Non-U.S. Holder sells its shares of common stock.

Federal Estate Taxes

Common stock owned or treated as owned by an individual who is a Non-U.S. Holder at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

Information Reporting Requirements and Backup Withholding Tax

Dividends

We must report annually to the IRS and to each Non-U.S. Holder any dividend income that is subject to withholding or that is exempt from U.S. withholding tax pursuant to an income tax treaty. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides. Dividends paid to Non-U.S. Holders of common stock generally will be exempt from backup withholding if the Non-U.S. Holder provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption.

Disposition of Common Stock

The payment of the proceeds from the disposition of common stock to or through the U.S. office of any broker, U.S. or foreign, will be subject to information reporting and possible backup withholding unless the owner certifies as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption, *provided* that the broker does not have actual knowledge that the holder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied. The payment of the proceeds

from the disposition of common stock to or through a non-U.S. office of a non-U.S. broker will not be subject to information reporting or backup withholding unless the non-U.S. broker has certain types of relationships with the U.S. (a "U.S. related person"). In the case of the payment of the proceeds from the disposition of common stock to or through a non-U.S. office of a broker that is either a U.S. person or a U.S. related person, the Treasury regulations require information reporting (but not backup withholding) on the payment unless the broker has documentary evidence in its files that the owner is a Non-U.S. Holder and the broker has no knowledge to the contrary. Non-U.S. Holders should consult their own tax advisors on the application of information withholding and backup withholding to them in their particular circumstances (including upon their disposition of common stock).

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder will be refunded or credited against the holder's U.S. federal income tax liability, if any, if the holder provides the required information to the IRS.

UNDERWRITING

Under the underwriting agreement, which is filed as an exhibit to the registration statement relating to this prospectus, each of the underwriters named below for whom Lehman Brothers Inc., Salomon Smith Barney Inc., Robertson Stephens, Inc., UBS Warburg LLC and U.S. Bancorp Piper Jaffray Inc., are acting as representatives, has agreed to purchase from us, on a firm commitment basis, subject only to the conditions contained in the underwriting agreement the respective number of shares of common stock shown opposite its name below:

Underwriters	Number of Shares
Lehman Brothers Inc.	
Salomon Smith Barney Inc.	
Robertson Stephens, Inc.	
UBS Warburg LLC	
U.S. Bancorp Piper Jaffray, Inc.	
Total	

The underwriting agreement provides that the underwriters' obligations to purchase our common stock depends on the satisfaction of the conditions contained in the underwriting agreement, which includes:

- if any shares of common stock are purchased by the underwriters, then all of the shares of common stock the underwriters agreed to purchase must be purchased;
- the representations and warranties made by us to the underwriters are true;
- there is no material change in the financial markets; and
- we deliver customary closing documents to the underwriters.

Commission and Expenses

The representatives had advised us that the underwriters propose to offer the common stock directly to the public at the public offering price presented on the cover page of this prospectus, and to selected dealers, that may include the underwriters, at the public offering price less a selling concession not in excess of $0. per share. The underwriters may allow, and the selected dealers may reallow, a concession not in excess of $0. per share to brokers and dealers. After the offering, the underwriters may change the offering price and other selling terms.

The following table summarizes the underwriting discounts and commissions to be paid to the underwriters by us. The underwriting discounts and commissions are equal to the public offering price per share, less the amount paid to us per share. The underwriting discounts and commissions equal to % of the initial public offering price.

	Without Over-Allotment	With Over-Allotment
Per Share Total		

We estimate that the total expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts and commissions, will be approximately $ million.

Over-Allotment Option

We have granted to the underwriters an option to purchase up to an aggregate of shares of common stock, exercisable solely to cover over-allotments, if any, at the public offering price less the underwriting discounts and commissions shown on the cover page of this prospectus. The underwriters may exercise this option at any time until 30 days after the date of the underwriting agreement. To the extent the underwriters exercise this option, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares proportionate to that underwriter's initial commitment as indicated in the preceding table.

Lock-up Agreements

We have agreed that, without the prior written consent of Lehman Brothers Inc., we will not, directly or indirectly, offer, sell or dispose of any common stock or any securities which may be converted into or exchanged for any common stock for a period of 180 days from the date of this prospectus. In addition, all of our executive officers and directors, Comverse Technology and some of our other stockholders holding in the aggregate shares of our common stock, have

agreed under lock-up agreements not to, without the prior written consent of Lehman Brothers Inc., directly or indirectly, offer, sell or otherwise dispose of any common stock or any securities which may be converted into or exchanged or exercised for any common stock for a period of 180 days from the date of this prospectus.

Offering Price Determination

Prior to this offering, there has been no public market for our common stock. The initial public offering price has been negotiated between the representatives and us. In determining the initial public offering price of our common stock, the representatives considered:

- prevailing market conditions;
- our historical performance and capital structure;
- estimates of our business potential and earnings prospects;
- an overall assessment of our management; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

Indemnification

We have agreed to indemnify the underwriters against liabilities relating to the offering, including liabilities under the Securities Act and liabilities arising from breaches of the representations and warranties contained in the underwriting agreement, and to contribute to payments that the underwriters may be required to make for these liabilities. We have further agreed to indemnify Lehman Brothers Inc. against liabilities related to the directed share program referred to below, including liabilities under the Securities Act.

Stabilization, Short Positions and Penalty Bids

The representatives may engage in over-allotment, stabilizing transactions, syndicate covering transactions, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Securities Exchange Act of 1934:

- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short

position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any short position by either exercising their over-allotment option, in whole or in part, or purchasing shares in the open market.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specific maximum.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

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

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

Stamp Taxes

Purchasers of the shares of our common stock offered by this prospectus may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover of this prospectus.

Offer and Sales in Canada

This prospectus is not, and under no circumstance is it to be construed as, an advertisement or a public offering of shares in Canada or any province or territory thereof. Any offers in Canada will be made only under an exception from the requirements to file a prospectus supplement or a prospectus and an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made.

Discretionary Sales

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares of our common stock offered by them.

Electronic Distribution

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

Other than the prospectus in electronic format, the information on any underwriter's or selling group member's web site and any information contained in any other web site maintained by an underwriter or selling group member is not part of the prospectus or the registration statement of which this prospectus forms a part and should not be relied upon by investors.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Weil, Gotshal & Manges LLP, New York, New York. Certain legal matters will be passed upon for the underwriters by Gibson, Dunn & Crutcher LLP, New York, New York.

EXPERTS

The consolidated financial statements of the Company and its subsidiaries, except Loronix Information Systems, Inc. for the years ended December 31, 1999, as of January 31, 2001 and 2002 and for each of the three years in the period ended January 31, 2002, included in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein. The consolidated statements of operations, stockholders' equity and cash flows of Loronix Information Systems, Inc. and its subsidiaries (combined with those of the Company and not presented separately herein) for the year ended December 31, 1999 have been audited by KPMG LLP, independent accountants, as stated in their report which is included herein. Such financial statements of the Company and its consolidated subsidiaries are included herein in reliance upon the respective reports of such firms given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 with respect to the common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement. For further information with respect to us and our common stock, reference is made to the registration statement and exhibits and schedules thereto. You may read and copy any document we file at the SEC's public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 and will file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference rooms and the website of the SEC referred to above. Information on our website does not constitute a part of this prospectus.

REPORTS TO STOCKHOLDERS

We intend to furnish our stockholders annual reports containing audited consolidated financial statements and will make available copies of quarterly reports for the first three quarters of each year containing unaudited interim consolidated financial information.

VERINT SYSTEMS INC. AND SUBSIDIARIES

Index to Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Verint Systems Inc.
Woodbury, New York

We have audited the accompanying consolidated balance sheets of Verint Systems Inc. and subsidiaries (the "Company") as of January 31, 2001 and 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended January 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated statements of operations, stockholders' equity and cash flows for the year ended January 31, 2000, give retroactive effect to the merger of the Company and Loronix Information Systems, Inc. ("Loronix"), which has been accounted for as a pooling of interests as described in Note 7 of the consolidated financial statements. We did not audit the consolidated financial statements of Loronix for the year ended December 31, 1999, which statements reflect total sales constituting approximately 31% of consolidated total sales for the year ended January 31, 2000. These financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Loronix is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2001 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Jericho, New York
March 8, 2002

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Loronix Information Systems, Inc.:

We have audited the consolidated statements of operations, stockholders' equity, and cash flows of Loronix Information Systems, Inc. and subsidiary for the year ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Loronix Information Systems, Inc. and subsidiary for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP
San Diego, California
January 28, 2000
except as to Note 12, which is as of March 5, 2000

VERINT SYSTEMS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE DATA)

	January 31, 2001	January 31, 2002

ASSETS		
Current Assets:		
Cash and cash equivalents	$ 43,330	$ 49,860
Accounts receivable, net	28,502	27,005
Inventories	10,961	7,488
Due from related parties	3,972	3,813
Prepaid expenses and other current assets	6,559	4,987
Total current assets	93,324	93,153
Property and equipment, net	12,977	12,486
Other assets	11,253	11,087
Total assets	$ 117,554	$ 116,726
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$ 34,112	$ 37,508
Advance payments from customers	13,666	13,518
Current maturities of long-term bank loans	293	167
Due to related parties	41,741	800
Total current liabilities	89,812	51,993
Long-term bank loans	2,513	43,456
Liability for severance pay	1,128	1,265
Other liabilities	1,576	1,277
Total liabilities	95,029	97,991
Commitments and Contingencies (Note 15)		
Stockholders' Equity:		
Common stock, $0.001 par value — authorized, 300,000,000 shares; issued and outstanding, 95,748,753, and 96,530,836 shares	96	97
Additional paid-in capital	62,745	63,369
Accumulated deficit	(40,353)	(45,002)
Cumulative translation adjustment	37	271
Total stockholders' equity	22,525	18,735
Total liabilities and stockholders' equity	$ 117,554	$ 116,726

See notes to consolidated financial statements.

VERINT SYSTEMS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Year Ended January 31,		
	2000	2001	2002
Sales:			
Product revenues	$ 112,101	$ 124,420	$ 109,964
Service revenues	8,511	17,257	21,271
	120,612	141,677	131,235
Cost of sales	61,898	76,876	67,056
Gross profit	58,714	64,801	64,179
Operating expenses:			
Research and development, net	21,307	14,249	15,184
Selling, general and administrative	44,914	48,162	45,923

Royalties and license fees	2,041	2,731	2,851
Merger expenses	—	3,510	—
Restructuring and impairment charges	—	3,714	2,754
Loss from operations	(9,548)	(7,565)	(2,533)
Interest income	1,076	2,151	1,542
Interest expense	(1,472)	(2,409)	(1,714)
Other, net	(245)	(239)	(392)
Loss before income taxes	(10,189)	(8,062)	(3,097)
Income tax provision	355	497	1,552
Net loss	$ (10,544)	$ (8,559)	$ (4,649)
Net loss per share:			
Basic and diluted	$ (0.11)	$ (0.09)	$ (0.05)
Weighted average shares:			
Basic and diluted	95,144	95,577	95,899

See notes to consolidated financial statements.

VERINT SYSTEMS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT SHARE DATA)

	Common Stock					
	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Cumulative Translation Adjustment	Total Stockholders' Equity
Balance, February 1, 1999	95,139,905	$ 95	$ 59,989	$ (20,033)	$ 24	$ 40,075
Comprehensive loss:						
Net loss				(10,544)		
Translation adjustment					(81)	
Total comprehensive loss						(10,625)
Exercise of stock options of subsidiary			1,421			1,421
Exercise of stock options	7,500		25			25
Balance, January 31, 2000	95,147,405	95	61,435	(30,577)	(57)	30,896
Comprehensive loss:						
Net loss				(8,559)		
Translation adjustment					94	
Total comprehensive loss						(8,465)
Change in year end of pooled companies				(1,217)		(1,217)
Issuance of subsidiaries' stock to third parties			704			704
Exercise of stock options of subsidiary			338			338
Exercise of stock options	601,348	1	268			269
Balance, January 31, 2001	95,748,753	96	62,745	(40,353)	37	22,525
Comprehensive loss:						
Net loss				(4,649)		
Translation adjustment					234	
Total comprehensive loss						(4,415)
Exercise of stock options	782,083	1	326			327
Sale of subsidiary shares to affiliate			298			298
Balance, January 31, 2002	96,530,836	$ 97	$ 63,369	$ (45,002)	$ 271	$ 18,735

See notes to consolidated financial statements.

VERINT SYSTEMS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Year Ended January 31,		
	2000	2001	2002
Cash flows from operating activities:			
Net loss	$ (10,544)	$ (8,559)	$ (4,649)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	5,671	7,740	7,394
Provision for doubtful accounts	1,608	2,183	(468)
Asset write-downs and impairments	—	7,399	—
Changes in assets and liabilities:			
Accounts receivable	(3,980)	(6,413)	1,964
Inventories	(4,959)	461	3,473
Prepaid expenses and other assets	(558)	(3,877)	2,809
Accounts payable and accrued expenses	14,351	5,551	3,600
Advance payments from customers	(643)	6,888	(148)
Liability for severance pay	465	(43)	141
Due to/from related parties	5,502	(2,868)	(3,639)
Other	(46)	(115)	(987)
Net cash provided by operating activities	6,867	8,347	9,490
Cash flows from investing activities:			
Purchase of property and equipment	(4,695)	(6,332)	(4,330)
Capitalization of software development costs	(4,036)	(4,252)	(4,146)
Net cash used in investing activities	(8,731)	(10,584)	(8,476)
Cash flows from financing activities:			
Proceeds from issuance of common stock in connection with exercise of stock options	1,446	607	327
Proceeds from issuance of common stock of subsidiary	—	250	—
Proceeds from long-term bank loan	—	—	42,000
Net proceeds (repayments) of other bank debt	151	1,336	(115)
Proceeds from related party loans	3,823	7,241	—
Repayments of related party loans	—	—	(37,031)
Net cash provided by (used in) financing activities	5,420	9,434	5,181
Effect of exchange rates on cash	(79)	200	335
Net increase in cash and cash equivalents	3,477	7,397	6,530
Cash and cash equivalents, beginning of year	32,456	35,933	43,330
Cash and cash equivalents, end of year	$ 35,933	$ 43,330	$ 49,860
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$ 113	$ 85	$ 5,142
Cash paid during the year for income taxes	$ 776	$ 938	$ 889

See notes to consolidated financial statements.

VERINT SYSTEMS INC. AND SUBSIDIARIES

1. Organization and Business

Verint Systems Inc. ("Verint" and, together with its subsidiaries, the "Company") was organized as a Delaware corporation on February 23, 1994 under the name "Interactive Information Systems Corporation". The Company is engaged in providing analytic solutions for communications interception, digital video security and surveillance, and enterprise business intelligence.

On January 30, 1996, the Company changed its name to "Comverse Information Systems Corporation." Effective January 31, 1999, Comverse Infomedia Systems Corp. merged with and into Comverse Information Systems Corporation and changed the name of the Company to Comverse Infosys, Inc. and amended its certificate of incorporation to increase its authorized common stock from 1,500 shares to 100,000,000 shares. On February 1, 2001, the Company amended its certificate of incorporation to increase its authorized stock from 100,000,000 shares to 300,000,000 shares. In February 2002, the name of the Company was changed to Verint Systems Inc.

In February 2002, the Board of Directors of the Company approved the filing of a registration statement by the Company under the Securities Act of 1933 relating to an initial public offering of the Company's common stock.

2. Summary of Significant Accounting Policies

Basis of Presentation—The Company is a majority owned subsidiary of Comverse Technology, Inc. ("Comverse Technology"). Comverse Technology has provided certain corporate and administrative services to the Company and is expected to continue to provide such services for the foreseeable future. See note 12 to the consolidated financial statements. Management believes the consolidated financial statements include all the costs of doing business on a stand-alone basis. The Company believes that the net proceeds from its initial public offering, together with its current cash balances and potential cash flow from operations, will be sufficient to meet the Company's anticipated working capital, capital expenditures and other activities for at least the next 12 months.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All material intercompany balances and transactions have been eliminated. As of January 31, 2001 and 2002, minority interests were not material and were included under the caption other liabilities on the consolidated balance sheets. The Company accounts for the sale of newly-issued shares of its subsidiaries' common stock as capital transactions with no gain or loss recognition in the consolidated statements of operations. Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over the operating and financing policies, are accounted for under the equity method.

Cash and Cash Equivalents—The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Fair Value of Financial Instruments—The estimated fair value amounts of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of

different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Concentration of Credit Risk—Financial instruments which potentially expose the Company to concentration of credit risk consist primarily of cash investments and accounts receivable. The Company places its cash investments with high-credit quality financial institutions and currently invests primarily in bank time deposits. Accounts receivable are generally diversified due to the number of commercial and government entities comprising the Company's customer base and their dispersion across many geographical regions. As of January 31, 2001 and 2002, the Company's allowance for doubtful accounts was approximately $4,985,000, and $2,909,000, respectively. The Company believes no significant concentration of credit risk exists with respect to these cash investments and accounts receivable. The carrying amount of these financial instruments are reasonable estimates of their fair value.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Property and Equipment—Property and equipment are carried at cost less accumulated depreciation and amortization. The Company depreciates its property and equipment, other than buildings, transportation equipment and leasehold improvements, on a straight-line basis over periods ranging from two to ten years. Buildings are depreciated over thirty years. Transportation equipment is depreciated over a period ranging from three to fifteen years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease term. The cost of maintenance and repairs is charged to operations as incurred. Significant renewals and improvements are capitalized.

Income Taxes—The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. A valuation allowance is provided against net deferred tax assets unless, in management's judgment, it is more likely than not that such deferred tax assets will be realized. For federal income tax purposes, the Company's results will be included in the Comverse Technology consolidated tax return as long as Comverse Technology retains beneficial ownership of at least 80% of the total voting power and value of the outstanding common stock of the Company. Income taxes are determined as if the Company was a separate taxpayer. Income taxes currently payable have been charged to the related parties account in the period that the liability arose, if any.

Net Loss Per Share—Basic net loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is the same as basic net loss per share since the assumed exercise of options would have been antidilutive.

Revenue and Expense Recognition—Revenue is generally recognized at the time of shipment for sales of systems which do not require significant customization to be performed and collection of the resulting receivable is deemed probable by the Company. The Company's systems are generally a bundled hardware and software solution that is shipped together. Amounts billed to customers pursuant to the terms specified in contracts but for which revenue has not been recognized are recorded as advance payments from customers. The Company generally has no obligations to customers after the

date products are shipped, except for product warranties. The Company generally warranties its products for one year after sale. A provision for estimated warranty costs is recorded at the time of sale.

Customers may also purchase separate maintenance contracts, which generally consist of bug-fixing and telephone access to Company technical personnel, but in certain circumstances may also include the right to receive unspecified product updates, upgrades and enhancements. Revenue from these services is recognized ratably over the contract period. Amounts received from customers in excess of revenues earned under maintenance contracts are recorded as advance payments from customers.

Revenue from certain long-term contracts is recognized under the percentage-of-completion method on the basis of physical completion to date or using actual costs incurred to total expected costs under the contract. Revisions in estimates of costs and profits are reflected in the accounting period in which the facts that require the revision become known. At the time a loss on a contract is known, the entire amount of the estimated loss is accrued. Amounts received from customers in excess of revenues earned under the percentage-of-completion method are recorded as advance payments from customers. Related contract costs include all direct material and labor costs and those indirect costs related to contract performance, and are included in cost of sales in the consolidated statements of operations.

Expenses incurred in connection with research and development activities, other than certain software development costs that are capitalized, and selling, general and administrative expenses are charged to operations as incurred.

Software Development Costs—Software development costs are capitalized upon the establishment of technological feasibility and are amortized on a straight-line basis over the estimated useful life of the software, which to date has been four years or less. Amortization begins in the period in which the related product is available for general release to customers. Amortization expenses amounted to $3,044,000, $2,967,000, and $2,892,000 for the years ended January 31, 2000, 2001 and 2002, respectively.

The Company reviews software development costs for impairment at the end of each fiscal year, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized when the estimated net realizable value of the software is less than its carrying amount. The net realizable value is the estimated future gross revenue from the software reduced by the estimated future costs of completing and supporting the software.

Functional Currency and Foreign Currency Transaction Gains and Losses—The United States dollar (the "dollar") is the functional currency of the major portion of the Company's foreign operations. Most of the Company's sales and materials purchased for manufacturing are denominated in or linked to the dollar. Certain operating costs, principally salaries, of foreign operations are denominated in local currencies. In those instances where a foreign subsidiary has a functional currency other than the dollar, the Company records any necessary foreign currency translation adjustment, reflected in stockholders' equity, at the end of each reporting period.

Net gains (losses) from foreign currency transactions, included in the consolidated statements of operations, approximated $(266,000), $(541,000), and $(741,000) for the years ended January 31, 2000, 2001 and 2002, respectively.

The Company may occasionally enter into foreign exchange forward contracts and options on foreign currencies. The purpose of the Company's foreign currency hedging activities is to protect the Company from the risk that the eventual dollar cash flows resulting from the sale of products to international customers will be adversely affected by changes in exchange rates. Any gain or loss on a foreign exchange contract which hedges a firm commitment is deferred until the underlying transaction is realized, at which time it is included in the consolidated statement of operations. The Company may also purchase foreign exchange options that permit, but do not require, the Company to exchange foreign currencies at a future date with another party at a contracted exchange rate. To finance premiums paid on such options, from time to time, the Company may also write offsetting options at exercise prices that limit, but do not eliminate, the effect of purchased options as a hedge. As of January 31, 2000, 2001 and 2002, the Company had no outstanding foreign exchange contracts.

Long-Lived Assets—The Company reviews property and equipment and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future undiscounted cash flows expected to result from the use of the asset and proceeds from its eventual disposition are less than its carrying amount. Impairment is measured at fair value.

Pervasiveness of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications—Certain prior year amounts have been reclassified to conform to the manner of presentation in the current year.

Effect of New Accounting Pronouncements—In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations." SFAS No. 141 applies prospectively to all business combinations initiated after June 30, 2001 and to all business combinations accounted for using the purchase method of accounting for which the date of acquisition is July 1, 2001, or later. SFAS No. 141 requires all business combinations to be accounted for using one method, the purchase method. Under previously existing accounting rules, business

combinations were accounted for using one of two methods, the pooling-of-interests method or the purchase method. The adoption of SFAS No. 141 did not have a material impact on the Company's consolidated financial statements.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets. Under SFAS No. 142, goodwill and some intangible assets will no longer be amortized, but rather will be reviewed for impairment on a periodic basis. The provisions of SFAS No. 142 are required to be applied starting with fiscal years beginning after December 15, 2001. SFAS No. 142 is required to be applied at the beginning of the Company's fiscal year and is to be applied to all goodwill and other

intangible assets recognized in its financial statements at that date. Impairment losses for goodwill and certain intangible assets that arise due to the initial application of SFAS No. 142 are to be reported as resulting from a change in accounting principle. Goodwill and intangible assets acquired after June 30, 2001 will be subject immediately to the provisions of SFAS No. 142. The adoption of SFAS No. 142 is not expected to have a material impact on the Company's consolidated financial statements.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 is not expected to have a material impact on the Company's financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supercedes certain provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of" and Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS No. 144 requires that long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years; however, early adoption is encouraged. The Company is currently evaluating the impact that SFAS No. 144 will have on its consolidated financial statements.

3. Research and Development

A significant portion of the Company's research and development operations are located in Israel where the Company derives substantial benefits from participation in programs sponsored by the Government of Israel for the support of research and development activities conducted in that country. The Company's research and development activities include projects partially funded by the Office of the Chief Scientist of the Ministry of Industry and Trade of the State of Israel (the "OCS") under which the OCS reimburses a portion of the Company's research and development expenditures under approved project budgets. The Company is currently involved in several ongoing research and development projects supported by the OCS. The Company accrues royalties to the OCS for the sale of products incorporating technology developed in these projects up to the amount of such funding, plus interest in certain circumstances. In addition, under the terms of the applicable funding agreements,

products resulting from projects funded by the OCS may not be manufactured outside of Israel without government approval. The amounts reimbursed by the OCS for the years ended January 31, 2000, 2001 and 2002 were $4,826,000, $7,499,000, and $5,802,000, respectively.

4. Inventories

Inventories consist of:

	January 31,	
	2001	2002
	(In thousands)	
Raw materials	$ 8,143	$ 3,640
Work in process	945	1,249
Finished goods	1,873	2,599
	$ 10,961	$ 7,488

5. Property and Equipment

Property and equipment consist of:

	January 31,	
	2001	2002

	(In thousands)	
Fixtures and equipment	$ 17,401	$ 20,352
Land	477	458
Building and building improvements	3,449	3,891
Software	1,415	1,828
Transportation vehicles	1,023	912
Leasehold improvements	460	581
	24,225	28,022
Less accumulated depreciation and amortization	11,248	15,536
	$ 12,977	$ 12,486

6. Other Assets

Other assets consist of:

	January 31,	
	2001	2002
	(In thousands)	
Software development costs	$ 21,057	$ 25,203
Accumulated amortization	(12,856)	(15,748)
Software development costs, net	8,201	9,455
Other assets	3,052	1,632
	$ 11,253	$ 11,087

7. Business Combinations

In July 2000, the Company's parent, Comverse Technology acquired all of the outstanding stock of Loronix Information Systems, Inc. ("Loronix"), a company that develops software-based digital video recording and management systems, for 1,994,806 shares of Comverse Technology's common stock and

the assumption of options to purchase the equivalent of 370,101 shares of the Comverse Technology common stock. The business combination was accounted for as a pooling of interests. For the six months ended June 30, 2000, Loronix had sales of approximately $18,104,000 and a net loss, including merger related expenses, of approximately $2,249,000.

In July 2000, Comverse Technology acquired all of the outstanding stock of Syborg Informationsysteme GmbH, ("Syborg") a company that develops software-based digital voice and Internet recording systems, for 201,251 shares of Comverse Technology common stock. The business combination was accounted for as a pooling of interests. For the six months ended June 30, 2000, Syborg had sales of approximately $2,561,000 and a net loss, including merger related expenses, of approximately $425,000.

In February 2001, the Company issued 34,539,905 shares of its common stock to Comverse Technology in exchange for Comverse Technology's ownership interest in Loronix and Syborg. These shares are reflected in the consolidated financial statements as if they were outstanding as of the earliest period presented which is consistent with the pooling of interests method of accounting.

The table below sets forth the separate and combined results of Verint, Loronix and Syborg for the fiscal year ended January 31, 2000:

January 31, 2000	Verint	Loronix	Syborg	Combined
	(In thousands, except per share data amounts)			
Sales	$ 78,074	$ 37,477	$ 5,061	$ 120,612
Net income (loss)	$ (13,633)	$ 2,885	$ 204	$ (10,544)
Net loss per share—diluted	$ (0.22)			$ (0.11)

The consolidated statement of operations data combines Verint's historical statement of operations data for the fiscal year ended January 31, 2000 with the historical statements of income data of Loronix and Syborg for their fiscal year ended December 31, 1999. Loronix's net loss for the period from July 1, 2000 through July 31, 2000 of approximately $715,000 has been excluded from the Company's consolidated statement of operations for the year ended January 31, 2001 as a result of conforming fiscal years and has been included as an adjustment to accumulated deficit. Syborg's net loss for the period from July 1, 2000 through July 31, 2000 of approximately $502,000 has been excluded from the Company's consolidated statement of operations for the year ended January 31, 2001 as a result of conforming fiscal years and has been included as an adjustment to accumulated deficit. Loronix's and Syborg's sales for the period from July 1, 2000 through July 31, 2000 were $1,568,000 and $139,000, respectively.

In connection with the mergers in the year ended January 31, 2001, the Company incurred merger related costs of $3,510,000 consisting of professional fees to lawyers, investment bankers and accountants, as well as other merger costs, such as printing costs and filing fees. The Company also incurred $3,714,000 of

impairment charges in the year ended January 31, 2001. These impairment charges consisted of: (i) $2,186,000 for the write-off of certain capitalized software which became obsolete due to the existence of duplicative technology; and (ii) $1,528,000 for the write-off of certain demonstration, laboratory and production equipment that was abandoned as a result of the mergers. In addition, the Company has charged approximately $3,685,000 to cost of sales in the year ended January 31, 2001 relating to the write-off and abandonment of inventories that were considered obsolete and duplicative as a result of the mergers.

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	January 31,	
	2001	2002
	(In thousands)	
Accounts payable	$ 14,271	$ 14,593
Accrued salaries	4,554	6,283
Accrued royalties	2,989	3,862
Accrued vacation	2,925	3,018
Other accrued expenses	9,373	9,752
	$ 34,112	$ 37,508

In April 2001, the Company announced a plan to reduce its workforce and recorded a charge of $1,164,000. In December 2001, the Company announced a plan to further reduce its workforce and consolidate its offices in the United Kingdom and recorded a charge of $1,590,000. These charges totaling $2,754,000 for the year ended January 31, 2002, were charged to expense and are included in the caption restructuring and impairment charges in the consolidated statement of operations. These reductions were necessary as a result of the difficult economic and capital spending environment and were designed to improve the Company's cost structure and to increase its profitability. These plans included reducing the workforce in the United States, Israel and Germany by 65, 45 and 35 employees, respectively. These workforce reductions included employees within all departments of the Company. As of January 31, 2002, substantially all of the employees identified in the plan have been terminated in accordance with the terms of the plan.

The Company has notified the landlord of its United Kingdom office of its intention to terminate the Company's lease. The Company expects to vacate the facility in March 2002 and has recorded a charge for the remaining lease payments from the vacancy date through the expiration date of the lease.

A summary of the restructuring and impairment accrual is as follows:

	(In thousands)
Balance January 31, 2001	$ —
Provision for workforce reduction	2,397
Provision for facilities consolidation	357
Payments of employee severance	(1,710)
Balance January 31, 2002	$ 1,044

9. Long-term bank loans

Bank loans consist of the following:

	January 31,	
	2001	2002
	(In thousands)	
Long-term bank loan	$ —	$ 42,000
Other bank debt	2,806	1,623
	2,806	43,623
Less: current maturities	293	167
Long-term bank loans	$ 2,513	$ 43,456

In January 2002, the Company took a long-term bank loan in the amount of $42 million. This loan, which matures in February 2003, bears interest at LIBOR plus 0.55%, and may be prepaid without penalty. The proceeds of this loan were used to repay amounts owed to Comverse Technology. The loan is guaranteed by Comverse Technology.

Other bank debt is secured by certain land and buildings and restricted cash balances are required to be maintained at these banks in the amounts of $1,130,000, and $679,000 as of January 31, 2001 and 2002, respectively, and such restricted cash is included in the caption of other assets on the consolidated balance sheets.

Maturities of long-term bank loans are as follows:

Year Ending January 31,	Amount
	(In thousands)
2003	$ 167
2004	42,163
2005	160
2006	161
2007	162
2008 and thereafter	810
	$ 43,623

10. Liability for Severance Pay

Liability for severance pay consists of the Company's unfunded liability for severance pay to employees of certain foreign subsidiaries.

Under Israeli law, the Company is obligated to make severance payments to employees of its Israeli subsidiary on the basis of each individual's current salary and length of employment. These liabilities are currently provided primarily by premiums paid by the Company to insurance providers.

11. Stock Options

Employee Stock Options—As of January 31, 2002, 14,250,646 shares of common stock were reserved for issuance upon the exercise of stock options then outstanding and 9,358,423 shares were available for future grant under the Company's Stock Option Plan, under which options may be granted to key employees, directors, and other persons rendering services to the Company. Options which are designated as "incentive stock options" under the option plan may be granted with an exercise price not less than the fair market value of the underlying shares at the date of grant and are subject to certain quantity and other limitations specified in Section 422 of the Internal Revenue Code. Options which are not intended to qualify as "incentive stock options" may be granted at any price, but not less than the par value of the underlying shares, and without restriction as to amount. The options and the underlying shares are subject to adjustment in accordance with the terms of the plan in the event of stock dividends, recapitalizations and similar transactions. The right to exercise options generally vests in increments over periods of up to four years from the date of grant or the date of commencement of the grantee's employment with the Company, up to a maximum term of ten years for all options granted.

The changes in the number of options were as follows:

	Year Ended January 31,		
	2000	2001	2002
Outstanding at beginning of period	4,387,250	10,120,793	11,869,956
Granted during the period	6,653,950	3,602,000	4,462,100
Exercised during the period	(7,500)	(601,348)	(782,083)
Canceled, terminated and expired	(912,907)	(1,251,489)	(1,299,327)
Outstanding at end of period	10,120,793	11,869,956	14,250,646

At January 31, 2002, options to purchase an aggregate of 5,191,033 shares, were vested and currently exercisable under the option plan and options to purchase an additional 9,059,613 shares, vest at various dates extending through the year 2005.

Weighted average option exercise price information was as follows:

	Year Ended January 31,		
	2000	2001	2002
Outstanding at beginning of period	$ 0.93	$ 1.05	$ 1.26
Granted during the period	$ 1.16	$ 1.73	$ 1.70
Exercised during the period	$ 3.33	$ 0.45	$ 0.41
Canceled, terminated and expired	$ 1.27	$ 1.28	$ 1.57
Outstanding at end of period	$ 1.05	$ 1.26	$ 1.42
Exercisable at end of period	$ 0.51	$ 0.92	$ 1.19

Significant option groups outstanding at January 31, 2002 and related weighted average exercise price and life information were as follows:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.11	536,500	4.26	$ 0.11	536,500	$ 0.11
$ 0.50	84,924	2.16	$ 0.50	84,924	$ 0.50
$ 1.15	6,037,143	6.99	$ 1.15	3,521,825	$ 1.15
$ 1.35	2,662,379	7.95	$ 1.35	739,774	$ 1.35
$ 1.70	4,092,700	9.20	$ 1.70	—	$ —
$ 2.35	51,750	8.25	$ 2.35	12,938	$ 2.35
$ 3.00	650,500	8.60	$ 3.00	170,322	$ 3.00
$ 3.33	63,000	4.92	$ 3.33	63,000	$ 3.33
$ 4.50	71,750	5.83	$ 4.50	61,750	$ 4.50
	14,250,646	7.74	$ 1.42	5,191,033	$ 1.19

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its option plan. Accordingly, as all options have been granted at exercise prices equal to fair market value on the date of grant, no compensation expense has been recognized by the Company in connection with its stock-based compensation plan. Had compensation cost for the Company's stock option plan been determined based upon the fair value at the grant date for awards under the plan consistent with the methodology prescribed under SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net loss and net loss per share would have been increased by approximately $1,311,000, $1,760,000, and $2,961,523 or $0.01, $0.02, and $0.03 per diluted share for the years ended January 31, 2000, 2001 and 2002, respectively. The weighted average fair value of the options granted for the years ended January 31, 2000, 2001 and 2002, respectively, is estimated at $0.68, $1.12, and $1.13 on the date of grant (using the Black-Scholes option pricing model) with the following weighted average assumptions for the years ended January 31, 2000, 2001 and 2002, respectively: volatility of 65.0%, 73.5%, and 79.2%; risk-free interest rate of 4.72%, 6.53%, and 4.66%; expected dividend yield of 0%; and an expected life of 5 years.

12. Related Party Transactions

Corporate Services Agreement—The Company has a corporate services agreement with Comverse Technology. Under this agreement, Comverse Technology provides the Company with the following services:

- routine legal services;
- administration of employee benefit plans;
- maintaining in effect a policy of directors' and officers' insurance covering the Company's directors and officers;

- maintaining in effect general liability and other insurance policies providing coverage for the Company; and
- consulting services with respect to the Company's public relations.

For the years ended January 31, 2000, 2001 and 2002, the Company recorded expenses of $475,000, $500,000, and $500,000, respectively, for the services provided by Comverse Technology. As of February 1, 2002, the Company will pay Comverse Technology a quarterly fee of $131,250, subject to adjustment and annual increases, for services provided by Comverse Technology during each fiscal quarter. In addition, the Company agreed to reimburse Comverse Technology for any out-of-pocket expenses incurred by Comverse Technology in providing the services. During the years ended January 31, 2000, 2001 and 2002, no amounts were paid to Comverse Technology for reimbursement of out-of-pocket expenses. The term of this agreement extends to January 31, 2005 and is automatically extended for additional twelve-month periods unless terminated by either Comverse Technology or the Company.

Enterprise Resource Planning Software Sharing Agreement—In January 2002, the Company entered into an enterprise resource planning ("ERP") software sharing agreement with Comverse, Ltd., a subsidiary of Comverse Technology. Under this agreement, Comverse Ltd. agreed to continue to share the use of specific ERP software with the Company and undertook to exert its reasonable commercial efforts to arrange for the ongoing operation, maintenance and support of the software for an annual fee of $100,000. The terms of the ERP Software Sharing Agreement and the fee payable to Comverse Ltd. were determined by arm's length negotiations between the Company and Comverse Ltd. The Company was charged $1,500,000, $200,000, and $100,000 for the years ended January 31, 2000, 2001 and 2002, respectively, for ERP support services.

Satellite Services Agreement—In January 2002, the Company entered into a services agreement with Comverse Inc., a subsidiary of Comverse Technology, pursuant to which Comverse Inc. provides the Company with the exclusive use of the services of specified employees of Comverse Inc. and its facilities where such employees are located. Under this agreement, the Company pays Comverse Inc. a fee, which is equal to the expenses Comverse Inc. incurs in providing these services plus ten percent. During the year ended January 31, 2000, 2001 and 2002, the Company recorded expenses of $459,000, $1,193,000, and $1,817,000, respectively, for services rendered by Comverse Inc. during these periods.

The Company believes that the terms of the Corporate Services Agreement, the Enterprise Resource Planning Software Sharing Agreement and the Satellite Services Agreement are fair to the Company and are not materially different than those they could have obtained from an unaffiliated third party.

Federal Income Tax Sharing Agreement—The Company has a tax sharing agreement with Comverse Technology. Comverse Technology is the parent company of a group of companies which includes the Company and for which Comverse Technology files a consolidated federal income tax return. After this offering is completed the Company expects that it will continue to be included in the Comverse Technology consolidated group for federal income tax purposes and that the Company will not file its own federal income tax return. Under the terms of the tax sharing agreement, during years in which Comverse Technology

files a consolidated federal income tax return which includes the Company, the Company is required to pay Comverse Technology an amount equal to the Company's

separate tax liability, if any, computed by Comverse Technology in its reasonable discretion. The Company's separate tax liability generally is the amount of federal income tax that the Company would owe if the Company had filed a tax return independent of the Comverse Technology group. If the calculation of the Company's separate tax liability for any year results in a net operating loss or capital loss, the Company is not entitled to receive any payments from Comverse Technology with respect to such loss in such year or as a result of carrying such loss back to any prior year or forward to any future year, or otherwise to take such loss into account in determining the Company's liability to Comverse Technology, including in the event that Comverse Technology utilizes such loss to reduce its own tax liability so that such loss is not available to the Company in the event of deconsolidation. The tax sharing agreement also provides for certain payments in the event of adjustments to the tax liability. The tax sharing agreement continues in effect until 60 days after the expiration of the applicable statute of limitations with respect to the final year of the Comverse Technology consolidated group which includes the Company.

Patent License Agreement—The Company's affiliate, Comverse Patent Holding, granted Lucent GRL a non-exclusive license to those patents now owned by Comverse Patent Holding or for which Comverse Patent Holding has a right to license and to those patents granted to Comverse Patent Holding or for which Comverse Patent Holding obtains the right to license during the term of that arrangement. In return, Comverse Patent Holding was granted a non-exclusive license to certain patents now owned by Lucent GRL or for which Lucent GRL has the right to license and to those patents granted to Lucent GRL or for which Lucent GRL obtains the right to license during the term of that arrangement. Under that arrangement, Comverse Patent Holding has the right to grant a sublicense to the Company. In connection with that arrangement, effective December 30, 1999, the Company entered into a patent license agreement with Comverse Patent Holding under which the Company has granted a non-exclusive royalty-free license to Comverse Patent Holding with the right to sublicense to Lucent GRL the Company's patents and those patents granted to the Company or for which the Company obtains the right to license during the term of the agreement. In return, Comverse Patent Holding granted to the Company a non-exclusive royalty-free sublicense to all patents that are licensed by Lucent GRL to Comverse Patent Holding. The Company believes that the value of the sublicense from Comverse Patent Holding is greater than the value of the license to Comverse Patent Holding.

Registration Rights Agreement—The Company has entered into a registration rights agreement with Comverse Technology. Under this agreement, Comverse Technology may require the Company on one occasion to register the Company's common stock for sale on Form S-1 under the Securities Act of 1933 (the "Act") if the Company is not eligible to use Form S-3 under the Act. After the Company becomes eligible to use Form S-3, Comverse Technology may require the Company on unlimited occasions to register the Company's common stock for sale on this form. Comverse Technology will also have an unlimited number of piggyback registration rights. Comverse Technology will not be allowed to exercise any registration rights during the 180-day lock-up period.

The Company has agreed to pay all expenses that result from registration of its common stock under the registration rights agreement, other than underwriting commissions for such shares and taxes. The Company has also agreed to indemnify Comverse Technology, its directors, officers and employees against liabilities that may result from its sale of the Company's common stock, including Securities Act liabilities.

Business Opportunities Agreement—The Company has a business opportunities agreement with Comverse Technology which addresses potential conflicts of interest between Comverse Technology and the Company. This agreement allocates between Comverse Technology and the Company opportunities to pursue transactions or matters that, absent such allocation, could constitute corporate opportunities of both companies. The Company is precluded from pursuing an opportunity offered to any person who is a director of the Company but not an officer or employee of the Company and who is also an officer or employee of Comverse Technology, unless Comverse Technology fails to pursue such opportunity diligently. Comverse Technology is precluded from pursuing an opportunity offered to any person who is a director of Comverse Technology but not an officer or employee of Comverse Technology and who is also an officer or employee of the Company, unless the Company fails to pursue such opportunity diligently. The Company is also precluded from pursuing an opportunity offered to any person who is an employee or officer of both companies or a director of both companies, unless Comverse Technology fails to pursue such opportunity diligently. Accordingly, the Company may be precluded from pursuing transactions or opportunities that the Company would otherwise be able to pursue if the Company was not affiliated with Comverse Technology. The Company has agreed to indemnify Comverse Technology and its directors, officers, employees and agents against any liabilities arising out of any claim that any provision of the agreement or the failure to offer any business opportunity to the Company violates or breaches any duty that may be owed to the Company by Comverse Technology or any such person.

Proxy Agreement with the Department of Defense—One of the Company's subsidiaries, Verint Technology Inc. ("Verint Technology"), is engaged in the development, marketing and the sale of the Company's communications interception solutions to various U.S. governmental agencies. In order to conduct its business, Verint Technology is required to maintain facility security clearances under the National Industrial Security Program ("NISP"). The NISP requires companies maintaining facility security clearances to be insulated from foreign ownership, control or influence. The Company, Comverse Technology and the Department of Defense have entered into a proxy agreement with respect to the ownership and operations of Verint Technology. The proxy agreement has been approved by the Defense Security Service, which has oversight responsibilities on behalf of the Department of Defense.

Under the proxy agreement, the Company appointed three U.S. citizens that have the requisite personal security clearance as directors of Verint Technology and as holders of proxies to vote the stock of Verint Technology. These individuals are responsible for the oversight of Verint Technology's security arrangements, including the separation of Verint Technology from the Company and the Company's affiliates. As proxy holders, these individuals have the power to exercise all prerogatives of ownership of Verint Technology, except that without obtaining the Company's express written approval they may not authorize any individual sale or disposal of capital assets constituting a material amount of Verint Technology's assets, the mortgaging of assets other than for working capital or capital improvement purposes, any merger, consolidation, reorganization or dissolution of Verint Technology and the filing of a petition under the federal bankruptcy laws.

Under the proxy agreement, the Company has also established a government security committee, which consists of the three proxy holders. The government security committee is in charge of the development and implementation of a technology control plan, which prescribes measures and

establishes procedures to prevent unauthorized disclosure or export of controlled information to the Company, any of the Company's affiliates or others. In addition, the proxy agreement establishes procedures regarding meetings, visits and communications between Verint Technology, the Company and the Company's other affiliates. The Department of Defense continually reviews the technology control plan and receives an annual report from the proxy holders.

Sale of Comverse Media Holding Inc.—In February 2001, the Company sold 100% of the capital stock of Comverse Media Holding Inc. to Comverse, Inc. for $100,000. The Company increased stockholders' equity for the year ended January 31, 2002 by $298,000 which represents the excess of the consideration given and the carrying amount of the net liabilities of Comverse Media Holding Inc.

Indemnification Agreement with Comverse Technology—On January 31, 2002, the Company entered into an indemnification agreement with Comverse Technology pursuant to which Comverse Technology agreed to indemnify the Company for any damages that may arise from two specified disputes which are not material to the Company. In return, the Company granted to Comverse Technology the exclusive control of the settlement and defense of these disputes, and the Company agreed to fully cooperate with Comverse Technology in any such settlement or defense.

Transactions with an Affiliate—The Company sells products and services to Comverse Infosys (Singapore) PTE LTD ("Infosys Singapore") an affiliated systems integrator in which the Company holds 50% equity interest. Sales to Infosys Singapore were approximately $961,000, $4,271,000, and $4,024,000 for the years ended January 31, 2000, 2001 and 2002, respectively. The Company sells their products and services to Infosys Singapore on the same terms the Company sells similar products and services to their non-affiliated customers. In addition, the Company was charged marketing and office service fees by that affiliate. These fees were approximately $56,000, $270,000, and $490,000 for the years ended January 31, 2000, 2001 and 2002, respectively. The Company believes that Infosys Singapore has determined these charges on the basis of its estimated costs in providing such services.

Transactions with Other Subsidiaries of Comverse Technology—The Company charges subsidiaries of Comverse Technology for services relating to the use of the Company's facilities and employees. Charges to these subsidiaries were approximately $365,000, $1,006,000, and $1,030,000 for fiscal 1999, fiscal 2000 and fiscal 2001, respectively.

The Company also purchased products and services from other subsidiaries of Comverse Technology in the ordinary course of business. Purchases from these subsidiaries were approximately $268,000, $0, and $2,000 for the years ended January 31, 2000, 2001 and 2002, respectively. We believe that these sales are made on the same terms as provided by such affiliated entities to their non-affiliated customers.

Intercompany Loan—The Company was charged interest on balances owed to Comverse Technology amounting to $1,357,000, $2,142,000, and $1,458,000 for the years ended January 31, 2000, 2001 and 2002, respectively. The interest rate on the indebtedness to Comverse Technology was the three-month LIBOR rate. The principal amount of the indebtedness to Comverse Technology and related accrued and unpaid interest was due on demand and was repaid on January 31, 2002 with the proceeds of a bank loan. The Company does not expect to be dependent on Comverse Technology for its financing needs for the foreseeable future.

Guarantee of Leases—Comverse Technology has guaranteed the payment of rent and the performance of all other obligations under the leases for the Company's facilities in Woodbury, New York and the lease for the Company's facility in the United Kingdom.

13. Income Taxes

The provision for income taxes consists of the following:

	Year Ended January 31,		
	2000	2001	2002
	(In thousands)		
Current:			
Federal	$ 170	$ 2	$ —
State	7	91	145
Foreign	234	624	1,393
Total current	411	717	1,538
Deferred (benefit):			
Federal	(49)	—	—
State	(7)	—	—
Foreign	—	(220)	14
Total deferred	(56)	(220)	14
	$ 355	$ 497	$ 1,552

The reconciliation of the U.S. Federal statutory tax rate to the Company's effective tax rate is as follows:

	2000	2001	2002

U.S. Federal statutory rate	34%	34%	34%
Change in valuation allowance	(35)	(34)	(34)
Foreign and state income taxes	(2)	(6)	(50)
Company's effective tax rate	(3)%	(6)%	(50)%

Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (b) operating loss carryforwards. The tax effects of significant items comprising the Company's deferred tax assets and liabilities at January 31, 2001 and 2002, are as follows:

	January 31,	
	2001	2002
	(In thousands)	
Deferred tax liabilities:		
Expenses deductible for tax purposes and not for financial reporting purposes	$ (486)	$ (418)
Deferred tax assets:		
Reserves not currently deductible	5,487	4,360
Tax loss carryforwards	6,024	7,154
	11,511	11,514
Less: valuation allowance	(11,030)	(11,115)
Net deferred tax liabilities	$ (5)	$ (19)

As of January 31, 2002, the Company had approximately $17.9 million of net operating loss carryforwards for federal income tax purposes. These carryforwards will begin to expire in 2020 if not utilized.

Income tax has not been provided on unrepatriated earnings of foreign subsidiaries as currently it is the intention of the Company to reinvest such foreign earnings in their operations.

14. Business Segment Information

The Company is engaged in providing analytic solutions for communications interception, digital video security and surveillance, and enterprise business intelligence. The Company operates in one business segment and manages its business on a geographic basis. Summarized financial information for the Company's reportable geographic segments is presented in the following table. Sales in each geographic segment represents sales originating from that segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

	United States	Israel	United Kingdom	Other	Reconciling Items	Consolidated Totals
Year Ended January 31, 2000			(In thousands)			
Sales	$ 71,152	$ 47,045	$ 9,487	$ 5,323	$ (12,395)	$ 120,612
Costs and expenses	(71,801)	(52,260)	(12,325)	(5,795)	12,021	(130,160)
Operating income (loss)	$ (649)	$ (5,215)	$ (2,838)	$ (472)	$ (374)	$ (9,548)
Year Ended January 31, 2001						
Sales	$ 77,777	$ 53,246	$ 20,503	$ 9,662	$ (19,511)	$ 141,677
Costs and expenses	(84,679)	(54,045)	(20,994)	(9,115)	19,591	(149,242)
Operating income (loss)	$ (6,902)	$ (799)	$ (491)	$ 547	$ 80	$ (7,565)
Year Ended January 31, 2002						
Sales	$ 65,731	$ 62,712	$ 18,848	$ 6,023	$ (22,079)	$ 131,235
Costs and expenses	(70,290)	(58,813)	(19,349)	(7,882)	22,566	(133,768)
Operating income (loss)	$ (4,559)	$ 3,899	$ (501)	$ (1,859)	$ 487	$ (2,533)

Long-lived assets by country of domicile consist of:

	January 31,	
	2001	2002
	(In thousands)	
Israel	$ 11,692	$ 12,632
United States	8,300	8,014
Germany	3,602	2,463
United Kingdom	478	273
Other	158	191
	$ 24,230	$ 23,573

Sales by country, based on end-user location, as a percentage of total sales were as follows:

	January 31,		
	2000	2001	2002
United States	51%	49%	42%
United Kingdom	7%	15%	14%
Other	42%	36%	44%
	100%	100%	100%

No single customer accounted for 10% or more of sales for the years ended January 31, 2000, 2001 and 2002.

15. Commitments and Contingencies

Leases—The Company leases office, manufacturing, and warehouse space under non-cancelable operating leases. Rent expense for all leased premises approximated $2,475,000, $2,596,000, and $2,887,000 in the years ended January 31, 2000, 2001 and 2002, respectively.

As of January 31, 2002, the minimum annual rent obligations of the Company were approximately as follows:

Year Ending January 31,	Amount
	(In thousands)
2003	$ 2,548
2004	2,063
2005	605
2006	421
	$ 5,637

Licenses and Royalties—The Company licenses certain technology, "know-how" and related rights for use in the manufacture and marketing of its products, and pays royalties to third parties under such licenses and under other agreements entered into in connection with research and development financing. The Company currently pays royalties on a substantial portion of its product sales in varying

amounts based upon the revenues attributed to the various components of such products. Royalties typically range up to 6% of net sales of the related products and, in the case of royalties due to government funding sources in respect of research and development projects, are required to be paid until the funding organization has received total royalties amounting to 100% of the amounts received by the Company under the approved project budgets, plus interest in certain circumstances.

Dividend Restrictions—The ability of the Company's Israeli subsidiaries to pay dividends is governed by Israeli law, which provides that cash dividends may be paid by an Israeli corporation only out of retained earnings as determined for statutory purposes in Israeli currency. In the event of a devaluation of the Israeli currency against the dollar, the amount in dollars available for payment of cash dividends out of prior years' earnings will decrease accordingly. Cash dividends paid by an Israeli corporation to United States residents are subject to withholding of Israeli income tax at source at a rate of up to 25%, depending on the particular facilities which have generated the earnings that are the source of the dividends.

Guaranties—The Company has obtained bank guaranties primarily to secure its performance of certain obligations under contracts with customers. These guaranties, which aggregated approximately $5,153,000 at January 31, 2002, are to be released by the Company's performance of specified contract milestones, which are scheduled to be completed in the ensuing year.

Litigation—From time to time, the Company is subject to certain legal actions arising in the normal course of business. After taking into consideration legal counsel's evaluation of such actions, management is of the opinion that their final resolution will not have any significant adverse effect upon the Company's

financial position or results of operations.

16. Subsequent Events

On February 1, 2002, the Company's wholly-owned subsidiary, Loronix, acquired the digital video recording business of Lanex, LLC. The Lanex business provides digital video recording solutions for security and surveillance applications primarily to North American banks. The purchase price consisted of $9.5 million in cash and a $2.2 million convertible note issued by the Company to Lanex. The note is non-interest bearing and matures on February 1, 2004. The holder of the note may elect to convert the note, in whole or in part, into shares of the Company's common stock at a conversion price of $3.1429 per share at any time on or after the completion of the Company's initial public offering. The note is guaranteed by Comverse Technology.

* * * * * *

[Background graphic of Map]

Shares

VERINT™

Common Stock

PROSPECTUS
, 2001

LEHMAN BROTHERS

SALOMON SMITH BARNEY

ROBERTSON STEPHENS

UBS WARBURG

U.S. BANCORP PIPER JAFFRAY

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The expenses, other than underwriting commissions, expected to be incurred by the Company in connection with the issuance and distribution of the securities being registered under this Registration Statement are estimated to be as follows:

Securities and Exchange Commission Registration Fee	$	6,900
National Association of Securities Dealers, Inc. Filing Fee	$	8,000
Nasdaq National Market Filing Fee	$	*
Printing and Engraving	$	*
Legal Fees and Expenses	$	*
Accounting Fees and Expenses	$	*
Miscellaneous	$	*
Total	$	

* To be completed by amendment

Item 14. Indemnification of Directors and Officers

Section 102 of the Delaware General Corporation Law, or DGCL, as amended, allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except where the director breached the duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit.

Section 145 of the DGCL provides, among other things, that we may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding—other than an action by or in the right of the Company—by reason of the fact that the person is or was a director, officer, agent, or employee of the Company, or is or was serving at our request as a director, officer, agent or employee of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding. The power to indemnify applies (a) if such person is successful on the merits or otherwise in defense of any action, suit or proceeding or (b) if such person acting in good faith and in a manner he reasonably believed to be in the best interest, or not opposed to the best interest, of the Company, and with respect to any criminal action or proceeding had no reasonable cause to believe his or her conduct was unlawful. The power to indemnify applies to actions brought by or in the right of the Company as well but only to the extent of defense expenses, including attorneys' fees but excluding amounts paid in settlement, actually and reasonably incurred and not to any satisfaction of judgment or settlement of the claim itself, and with the further limitation that in such actions no indemnification shall be made in the event of any adjudication of liability to the Company, unless the court believes that in light of all the circumstances indemnification should apply.

Section 174 of the DGCL provides, among other things, that a director, who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption, may be held liable for such actions. A director who was either absent when the unlawful actions were approved or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

Our certificate of incorporation provides that we shall indemnify, to the full extent permitted by Section 145 of the DGCL, all persons whom we may indemnify pursuant thereto. Under the corporate services agreement described in the Prospectus, Comverse Technology has obtained directors' and officers' liability insurance which also provides coverage for our officers and directors.

Item 15. Recent Sales of Unregistered Securities

Described below are unregistered securities sold by the Company during the three years preceding the filing of this Registration Statement:

As of January 31, 2002, we issued shares of our common stock under our stock incentive compensation plan to directors, officers, employees and consultants upon the exercise of options for aggregate consideration of $. Such shares were issued pursuant to the exemption from registration in Rule 701 under the Securities Act.

On February 1, 2001, we issued 34,539,905 shares of our common stock to Comverse Technology, Inc., or Comverse Technology, under a contribution agreement, dated as of February 1, 2001, pursuant to which we acquired from Comverse Technology all of the outstanding shares of Loronix Information Systems, Inc. and all of the outstanding shares of Comverse GmbH, which directly and through a wholly-owned subsidiary holds all of the partnership interests in Syborg Informationsysteme beschränkt haftende OHG. These shares of common stock issued by us were issued in a transaction not involving any public offering pursuant to the exemption from registration in Section 4(2) of the Securities Act.

On February 1, 2002, our wholly-owned subsidiary, Loronix Information Systems, Inc., acquired the digital video recording business of Lanex, LLC. The purchase price consisted of $9,510,000 in cash and a $2,200,000 convertible note issued by us to Lanex in a transaction not involving any public offering pursuant to the exemption from registration in Section 4(2) of the Securities Act. The note is non-interest bearing and matures on February 1, 2004. The holder of the note may elect to convert the note, in whole or in part, into shares of the Company's common stock at a conversion price of $3.1429 per share at any time on or after the completion of the initial public offering of our common stock. The note is guaranteed by Comverse Technology.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits.

Number	Description
1.1*	Form of Underwriting Agreement
3.1*	Amended and Restated Certificate of Incorporation of Verint Systems Inc.
3.2*	Amended and Restated Bylaws of Verint Systems Inc.
4.1*	Specimen Common Stock certificate
5.1*	Opinion of Weil, Gotshal & Manges LLP
10.1	Corporate Services Agreement, dated as of January 31, 2002, between Comverse Technology and the Registrant
10.2	Federal Income Tax Sharing Agreement, dated as of January 31, 2002, between Comverse Technology and the Registrant
10.3	Patent License Agreement, dated as of January 17, 2000 between Comverse Patent Holding and the Registrant
10.4	Registration Rights Agreement, dated as of January 31, 2002, between Comverse Technology and the Registrant
10.5	Contribution Agreement, dated as of February 1, 2001, between Comverse Technology and the Registrant

10.6	Enterprise Resource Planning Software Sharing Agreement, dated as of January 31, 2002, between Comverse Ltd. and the Registrant
10.7	Satellite Services Agreement, dated as of January 31, 2002, between Comverse, Inc. and the Registrant
10.8	Proxy Agreement, dated as of May 21, 2001, between Comverse Technology, the Registrant and the United Stated Department of Defense
10.9	Verint Systems Inc. Stock Incentive Compensation Plan

10.10	Stock Purchase Agreement, dated as of January 31, 2002, between Comverse, Inc. and the Registrant
10.11	Distribution Agreement, dated as of July 1, 2001 between Comverse Infosys (Singapore) PTE LTD and the Registrant
10.12	Business Opportunities Agreement dated as of March 19, 2002, between Comverse Technology Inc. and the Registrant
10.13	Form of an Indemnification Agreement
21.1	Subsidiaries of the Registrant
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of KPMG LLP
23.3*	Consent of Weil, Gotshal & Manges LLP (included in Exhibit 5.1)
24.1	Powers of Attorney (See Signature Page)

* To be filed by amendment.

Item 17. Undertakings

The undersigned hereby undertakes that:

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commissions such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suite or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b)(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) To provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 22nd day of March, 2002.

VERINT SYSTEMS INC.

By: /s/ DAN BODNER

Dan Bodner
Name: Dan Bodner
Title: President and Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned directors and/or officers of Verint Systems Inc., hereby severally constitute and appoint Dan Bodner and Igal Nissim, and each of them individually, with full powers of substitution and resubstitution, our true and lawful attorneys, with full powers to them and each of them to sign for us, in our names and in the capacities indicated below, the Registration Statement on Form S-1 filed with the Securities and Exchange Commission, and any and all amendments to said Registration Statement (including post-effective amendments), and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933 in connection with the registration under the Securities Act of 1933 of equity securities of the Company, and to file or cause to be filed the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of them might or could do in person, and hereby ratifying and confirming all that said attorneys, and each of them, or their substitute or substitutes, shall do or cause to be done by virtue of this Power of Attorney.

Pursuant to the requirements of the Securities Act of 1933 this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date

/s/ KOBI ALEXANDER Kobi Alexander	Chairman of the Board of Directors and Director	March 22, 2002
/s/ DAN BODNER Dan Bodner	President and Chief Executive Officer and Director	March 22, 2002
/s/ IGAL NISSIM Igal Nissim	Chief Financial Officer and Director	March 22, 2002
/s/ WILLIAM F. SORIN William F. Sorin	Director	March 22, 2002
/s/ DAVID KREINBERG David Kreinberg	Director	March 22, 2002

INDEX TO EXHIBITS

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* To be filed by amendment.

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Exhibit 10.1

CORPORATE SERVICES AGREEMENT

THIS CORPORATE SERVICES AGREEMENT (this "Agreement"), dated as of January 31, 2002, between Comverse Technology Inc., a New York corporation ("Comverse"), and Comverse Infosys, Inc., a Delaware corporation (together with its subsidiaries, the "Company").

WHEREAS, the Company is a subsidiary of Comverse; and

WHEREAS, Comverse, its subsidiaries and affiliates (hereinafter collectively referred to as "CTI") have been providing to the Company certain services described herein; and

WHEREAS, the Company desires to continue to receive such services from CTI and CTI is willing to provide such services to the Company pursuant to the terms and conditions specified herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. *Services.* During the period commencing on the date hereof and ending upon termination of this Agreement (as provided in Section 3 below), CTI shall provide to the Company the following services (the "Services"):

1.1 *Routine Legal Services.* CTI shall provide routine legal services to the Company, including without limitation, consultations on strategies and governmental compliance, attorney selection, reviewing legal bills and participating in settlement discussions.

1.2 *Administration of Employee Benefit Plans.* CTI shall assist the Company in administering the Company's employee benefit plans, including without limitation, administering any management incentive plans and employee profit sharing plans, monitoring and processing pension and 401(k) plans and employee benefit enrollment, making required employee benefit related IRS filings, handling other related compliance tasks and general benefits consulting.

1.3 *Insurance.* CTI shall cause to be maintained in effect policies of insurance providing coverage to the Company and its subsidiaries (or, in the case of directors' and officers' liability insurance, covering the Company's directors and officers and those of its subsidiaries) for general liability, errors and omissions liability, directors' and officers' liability and such other risks and/or liabilities that are from time to time insured by CTI for the benefit of CTI and its subsidiaries, in each case with at least the same coverage with respect to amounts, limits and terms as in effect for CTI.

1.4 *Consulting on Public Relations.* CTI shall provide consulting services with respect to the Company's public relations, including without limitation,

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reviewing accounting pronouncements and advising the Company on proper accounting and reportable amounts related to pronouncements (such as FASB 106 and FASB 109).

CTI and the Company agree that CTI shall furnish the Services using commercially reasonable efforts consistent with the needs of the Company and the availability of CTI's officers and other employees. CTI in its sole discretion will determine which personnel shall perform the Services.

2. *Fees and Payment.* At the end of each fiscal quarter, the Company shall pay CTI the quarterly fee set forth on Schedule 1 hereto for such fiscal quarter, in consideration for all Services provided by CTI to the Company under this Agreement during such fiscal quarter. Not more than once every six (6) month period beginning February 1, 2003, CTI and the Company shall meet to discuss and negotiate in good faith any adjustments to the quarterly fees set forth on Schedule 1 hereto that is requested by (i) any party, if the parties mutually agree to modify, amend, delete or add to the scope of Services being provided or (ii) CTI, in the event that there is a material change in the cost of providing the Services. In addition, the Company shall reimburse CTI for any out-of-pocket expenses incurred by CTI at the request of the Company in connection with providing Services hereunder (other than compensation to CTI's officers and employees engaged in rendering such Services to the Company and other than any premiums paid by CTI or its affiliates under insurance policies referred to in Section 1.3 above). After the end of each fiscal quarter, CTI shall deliver to the Company an invoice for the quarterly fee payable with respect to Services provided by CTI under this Agreement, plus all expenses in respect of which CTI seeks reimbursement hereunder. The Company shall pay in full the amount due as stated on each CTI invoice within thirty days of the date of such invoice.

3. *Term.* The term of this Agreement shall commence as of and from February 1, 2002, and shall continue until January 31, 2005 (the "Initial Term"); provided, however, that on January 31, 2005, and on each anniversary of such day thereafter, this Agreement shall be automatically extended for one (1) additional twelve-month period (a "Renewal Term"), unless either party gives the other party written notice of its election to terminate this Agreement at least thirty (30) days prior to the end of the Initial Term or the end of any Renewal Term. Unless the parties agree otherwise, the quarterly fee payable by the Company at the end of each fiscal quarter during any Renewal Term shall be equal to the product of (i) one quarter ($^1/_4$) multiplied by (ii) the aggregate amount of fees (but not expenses) paid by the Company during the twelve-month period immediately preceding such Renewal Term.

4. *Post-Termination Obligation.*

4.1 *Company's Obligations.* The termination of this Agreement shall not terminate the Company's obligation to provide to CTI all information required by CTI if and when necessary in order to present CTI's financial and accounting information in accordance with generally accepted accounting principles.

4.2 *CTI's Obligation.* CTI agrees to (i) furnish to the Company such further information, (ii) execute and deliver to the Company such other documents, and (iii) do such other acts and things, all as the Company may reasonably request in order to permit the Company to file all state income tax returns required by law to be filed by the Company.

5. *Confidentiality.* CTI shall keep confidential and shall not disclose to others any information that is confidential or proprietary to the Company or that the Company has labeled in writing as confidential or proprietary to the same extent as it protects its own confidential information and trade secrets, except as required by law or court order. CTI may disclose to third parties any such information provided that (i) the Company consents to such disclosure, and (ii) such third party agrees in writing to be bound by the provisions of this Section 5 with respect to such information.

6. *Compliance with Laws.* Each of the Company and CTI shall comply in all material respects with any and all applicable statutes, rules, regulations, orders or restrictions of any domestic or foreign government, or instrumentality or agency thereof, in respect of the conduct of its obligations under this Agreement.

7. *Default and Remedies.*

7.1 *Event of Default.* A party shall be in default hereunder if (i) such party commits a material breach of any term of this Agreement and such breach continues uncured for 30 days following receipt of written notice thereof from the other party describing such default in reasonable detail, (ii) such party makes a general assignment for the benefit of its creditors, (iii) there is a filing seeking an order for relief in respect of such party in an involuntary case under any applicable bankruptcy, insolvency or other similar law and such case remains undismissed for 30 days or more, (iv) a trustee or receiver is appointed for such party or its assets or any substantial part thereof, or (v) such party files a voluntary petition under any bankruptcy, insolvency or similar law of the relief of debtors.

7.2 *Remedies.*

(a) If there is any default by the Company hereunder, CTI may exercise any or all of the following remedies: (a) declare immediately due and payable all sums for which the Company is liable under this Agreement (including the entire quarterly fee payable in respect of the fiscal quarter in which such default occurs); (b) suspend this Agreement and decline to continue to perform any of its obligations hereunder; and/or (c) terminate this Agreement.

(b) If there is any default by CTI hereunder, the Company may terminate this Agreement and recover any fees paid in advance for Services not performed.

(c) In addition to the remedies set forth in clauses (a) and (b) above, a non-defaulting party shall have all other remedies available at law or equity, subject to Section 7.3 below.

7.3 *Limitation on Remedies.* NOTWITHSTANDING THE FORUM IN WHICH ANY CLAIM OR ACTION MAY BE BROUGHT OR ASSERTED OR THE NATURE OF ANY SUCH CLAIM OR ACTION, IN NO EVENT SHALL ANY DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF CTI BE PERSONALLY LIABLE TO THE COMPANY IN RESPECT OF ANY SERVICES RENDERED HEREUNDER BY SUCH PERSON EXCEPT IN THE CASE OF FRAUD. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, IN NO EVENT SHALL CTI, ITS SUBSIDIARIES AND ITS AFFILIATES, EXCEPT IN THE CASE OF FRAUD, BE LIABLE TO THE COMPANY IN CONNECTION WITH OR ARISING OUT OF CTI PROVIDING OR FAILING TO PROVIDE ANY OF THE SERVICES SPECIFIED IN THIS AGREEMENT IN AN AMOUNT WHICH SHALL EXCEED THE LESSER OF (A) THE AMOUNT OF THE CLAIM, OR (B) THE QUARTERLY FEE PAID OR PAYABLE BY THE COMPANY IN RESPECT OF THE FISCAL QUARTER IN WHICH THE SERVICES GIVING RISE TO SUCH CLAIM OR ACTION WERE RENDERED OR REQUIRED TO BE RENDERED.

The parties agree that this provision limiting remedies and liquidating damages is reasonable under the circumstances and the Company acknowledges that CTI, its subsidiaries and its affiliates (including directors, officers, employees and agents) shall have no other financial liability to the Company whatsoever.

8. *Indemnification.* The Company shall indemnify, defend and hold harmless CTI and its officers, directors, employees or agents from and against any and all liabilities, claims, damages, losses and expenses (including, but not limited to, court costs and reasonable attorneys' fees) of any kind or nature, related to, arising out of or in connection with (a) the Company's failure to fulfill its obligations hereunder or (b) the performance by CTI of Services hereunder, except to the extent that any such liability, claim, damage, loss or expense is found by a court of competent jurisdiction in a judgment which has become final in that it is no longer subject to appeal or review to have resulted primarily from CTI's willful misconduct, bad faith or gross negligence.

9. *General Provisions.*

9.1 *Notices.* All communications to either party hereunder shall be in writing and shall be delivered in person or sent by facsimile, telegram, telex, by registered or certified mail (postage prepaid, return receipt requested) or by reputable overnight courier to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 9.1):

(i) If to CTI, to:

Comverse Technology, Inc.
170 Crossways Park Drive
Woodbury, New York 11797
Facsimile: (516) 677-7355
Attn: Senior Counsel

(ii) If to the Company, to:

Comverse Infosys, Inc.
234 Crossways Park Drive
Woodbury, New York 11797
Facsimile: (516) 677-7399
Attn: President and Chief Executive Officer

9.2 *Force Majeure.* A party shall not be deemed to have breached this Agreement to the extent that performance of its obligations or attempts to cure any breach are made impossible or impracticable due to any act of God, fire, natural disaster, act of terror, act of government, shortage of materials or supplies after the date hereof, labor disputes or any other cause beyond the reasonable control of such party (a "Force Majeure"). The party whose performance is delayed or prevented shall promptly notify the other party of the Force Majeure cause of such prevention or delay.

9.3 *Access.* The Company shall make available on a timely basis to CTI all information reasonably requested by CTI to enable it to provide the Services. The Company shall give CTI reasonable access, during regular business hours and at such other times as are reasonably required, to its premises for the purposes of providing the Services.

9.4 *Books and Records.* Upon the termination of Services with respect to which CTI holds books, records or files, including, but not limited to, current and archived copies of computer files, owned by the Company and used by CTI in connection with the provision of a Service to the Company, CTI will return all of such books, records or files as soon as reasonably practicable. In the event CTI needs access to such books, records or files for legal or tax reasons, the Company shall cooperate with CTI and make such books, records or files available to CTI.

9.5 *Independent Contractors.* The parties shall operate as, and have the status of, independent contractors and neither party shall act as or be a partner, co-venturer or employee of the other party. Unless specifically authorized to do so in writing, neither party shall have any right or authority to assume or create any obligations or to make any representations or warranties on behalf of the other party, whether express or implied, or to bind the other party in any respect whatsoever.

9.6 *Amendment and Waiver.* No supplement, modification, waiver or amendment of this Agreement or any provision hereof shall be binding unless executed in writing and signed by the party to be charged.

9.7 *Assignment.* Neither CTI, on the one hand, nor the Company, on the other, shall be entitled to assign its rights or delegate its obligations under this Agreement to any third party without the prior written consent of the other party. Any attempted or purported assignment or delegation without such required consent shall be void. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns.

9.8 *Governing Law.* This Agreement shall be governed by the law of the State of New York.

9.9 *Severability.* If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable, then such provision shall, to the extent permitted by the court, not be voided but shall instead be construed to give effect to its intent to the maximum extent permissible under applicable law and the remainder of this Agreement shall remain in full force and effect according to its terms.

9.10 *Sections and Headings.* The sections and headings contained herein are for the convenience of reference only and are not intended to define, limit, expand or describe the scope or intent of any clause or provision of this Agreement.

9.11 *Entire Agreement.* This Agreement, together with all exhibits hereto, constitutes the entire agreement and understanding of the parties relating to the subject matter hereof and supersedes all prior negotiations and understandings among the parties, both oral and written, regarding such subject matter.

9.12 *Counterparts.* This Agreement may be signed in counterparts and all signed copies of this Agreement shall together constitute one original of this Agreement.

9.13 *No Third Party Beneficiaries.* Except as provided in Section 8, nothing contained in this Agreement, express or implied, is intended to or shall confer upon anyone other than the parties hereto (and their successors and permitted assigns) any right, benefit or remedy of any nature whatsoever under or because of this Agreement except that Services to be provided by CTI hereunder shall also be provided, as directed by the Company, to any wholly-owned subsidiary of the Company, which shall be entitled to the benefit thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement effective as of the day and year first written above.

COMVERSE TECHNOLOGY, INC.

By: /s/ DAVID KREINBERG

David Kreinberg
Title: Chief Financial Officer

COMVERSE INFOSYS, INC.

By: /s/ DAN BODNER

Dan Bodner
Title: President and Chief Executive Officer

QUARTERLY FEES FOR EACH FISCAL YEAR

Fiscal Year	Quarterly Fee
February 1, 2002, to January 31, 2003	$ 131,250.00
February 1, 2003, to January 31, 2004	$ 143,750.00
February 1, 2004, to January 31, 2005	$ 156,250.00

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Exhibit 10.2

FEDERAL INCOME TAX SHARING AGREEMENT

This Federal Income Tax Sharing Agreement (the "Agreement") is made and entered into as of the 31st day of January, 2002, by and among Comverse Technology, Inc., a New York corporation ("Parent"), and Comverse Infosys, Inc., a Delaware corporation ("Subsidiary").

WHEREAS, Parent and Subsidiary are members of an affiliated group of corporations, as defined in Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), of which Parent is the common parent (the "Company Group");

WHEREAS, Parent files and, to the extent permitted by applicable Federal income tax laws, will continue to file consolidated federal income tax returns with Subsidiary; and

WHEREAS, the parties hereto wish to provide for the allocation among them of consolidated federal income tax liability for taxable years and certain related matters;

NOW THEREFORE, in consideration of the foregoing promises and of the mutual covenants herein contained, the parties hereto agree as follows:

1. *DEFINITIONS.*

(a) Terms used in this Agreement shall have the meanings ascribed to them in, and shall be interpreted in accordance with, the relevant provisions of the Code and the regulations and rulings issued thereunder, as from time to time in effect.

(b) For purposes of this Agreement, the terms set forth below shall be defined as follows:

(i) Determination—The term "Determination" means and includes any determination within the meaning of Section 1313(a) of the Code and any of the events specified in Sections 6213(b) or (d) of the Code.

(ii) Hypothetical Tax Liability—The term "Hypothetical Tax Liability" as it relates to Subsidiary for a taxable year is the federal income tax liability and federal estimated tax payments determined by Parent in its reasonable discretion and computed as if Subsidiary had filed its own separate consolidated federal income tax return or had been required to make its own separate estimated tax payments (computed without regard to the carryforward or carryback of any loss, deduction or credit to such taxable year), but subject to the modifications specified in Treas. Reg. Section 1.1552-1(a)(2)(ii); provided, that (i) such liability shall be computed using the highest marginal corporate tax rate in effect for such taxable year; and (ii) if for any taxable year a tax would be

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imposed on Subsidiary pursuant to Section 55 of the Code, Subsidiary's Hypothetical Tax Liability shall be increased by the amount of Tax that would be imposed under such section, computed using the alternative minimum tax rates set forth in Section 55(b)(1) of the Code and taking into account items specified in Section 55(b)(2) of the Code attributable to Subsidiary.

2. *ALLOCATION OF CONSOLIDATED FEDERAL INCOME TAX LIABILITY.*

(a) If a consolidated federal income tax return is filed by Parent on behalf of the Company Group for any taxable year, Subsidiary shall pay to Parent an amount equal to its Hypothetical Tax Liability for such taxable year. Parent shall provide to Subsidiary a schedule that sets forth in reasonable detail the calculation of its Hypothetical Tax Liability for such taxable year.

(b) For purposes of the payment of such Hypothetical Tax Liability, Parent shall calculate an amount that would be required to be paid under the estimated tax requirements of Section 6655 of the Code and any other relevant sections of the Code for Subsidiary. The amount required to be paid by Subsidiary to Parent pursuant to this paragraph for such taxable year shall be paid on a current basis not later than the date on which the Company Group's consolidated federal income tax quarterly estimated tax payments are due to be paid for such quarter of such taxable year. To the extent that Subsidiary's Hypothetical Tax Liability for a given year exceeds the aggregate of the quarterly estimated tax payments made by Subsidiary for such year, Subsidiary shall make an additional tax payment (together with any and all interest, additions to tax, fines and penalties with respect thereto) under the requirements of Section 6151 of the Code. Such final tax payment shall be made to Parent no later than the date the Company Group consolidated final tax payment is due. To the extent that the quarterly estimated tax payments made by Subsidiary during a particular tax year exceed its Hypothetical Tax Liability for such year, the excess shall be refunded by Parent or credited toward such Subsidiary's subsequent year's estimated tax payment.

(c) Subsidiary shall provide Parent with all of the tax related information necessary for Parent to compute (i) Subsidiary's quarterly estimated tax payments no later than fifteen (15) days before the Company Group's consolidated federal income tax quarterly estimated tax payments are due for a particular quarter and (ii) Subsidiary's Hypothetical Tax Liability and (iii) Subsidiary's share of the Company Group's final tax payment for a taxable year no later than fifteen (15) days before the Company Group's federal income tax return for such taxable year is due.

3. *TAX SAVINGS.*

No payments shall be made by Parent to Subsidiary for any loss, deduction or credit generated by such Subsidiary in a taxable year.

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4. *ADJUSTMENTS TO CONSOLIDATED FEDERAL INCOME TAX LIABILITY.*

If pursuant to a Determination, the filing of an amended tax return or a claim for refund, a change or adjustment (other than a change or adjustment resulting from the carryback of a deduction, loss or credit) is made to items reported on a consolidated federal income tax return of the Company Group, then the amount

of the payments required to be made pursuant to Section 2 hereof shall be recomputed for such taxable year in accordance with the provisions of Section 2 hereof, taking into account such change or adjustment. The parties recognize that the recomputed liability is not necessarily the final tax liability and that there may be additional recomputations. Not later than (i) five (5) days before the due date for any additional payment of tax by Parent, (ii) five (5) days after the receipt of a refund or (iii) promptly following the event giving rise to the recomputation if such event will not result in the payment of additional tax or the receipt of a refund, Parent shall pay to the Subsidiary, or Subsidiary shall pay to Parent, as the case may be, the difference between the amount originally paid under Section 2 hereof and the recomputed amounts.

5. *TERMINATION OF AFFILIATION.*

(a) The parties recognize that at some future date Subsidiary may cease to be included in the Company Group but continue to be a corporation subject to federal income tax (the "Former Member"). In such event, Parent and the Former Member shall consult and shall furnish each other with information required to prepare accurately (a) the consolidated federal income tax return of the Company Group for the last taxable year in which the Former Member was included in the Company Group, and (b) the federal income tax returns for all taxable years thereafter of the Former Member and Parent, respectively, in which the tax liability of either may be affected by their former affiliation (including, for example, the apportionment of any consolidated net operating or capital loss or general business or foreign tax credit carryover to the Former Member).

(b) Parent and the Former Member also shall consult and furnish each other with information concerning the status of any tax audit or tax refund claim relating to a taxable year in which the Former Member was included in the Company Group and a consolidated federal income tax return was filed. The Former Member shall have the right to participate, at its own expense, with Parent in the relevant portions of any audit of a taxable year during which the Former Member was a Member of the Company Group and as to which the Former Member's tax liability for such taxable year may be affected.

(c) Payments which would have been required under this Agreement to or by the Former Member, were the Former Member still a member of the Company Group, and with respect to taxable year(s) as to which the Former Member was a member of the Company Group, shall be so made in accordance with principles and methodologies set forth in this Agreement and at the time(s) set forth herein.

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6. *TERM OF AGREEMENT.*

This Agreement shall continue in effect until sixty days after the expiration of the applicable statute of limitations (including all periods of extension, whether automatic or permissive) with respect to the final taxable year of the Company Group which includes Subsidiary.

7. *INTEREST ON LATE PAYMENTS.* Any payment due and owing by one party hereto to another which is not paid on or before the due date (if any) specified herein shall bear interest at the blended rate in effect under Section 6621(a)(1) of the Code for the period beginning on the day after the date the payment is due hereunder to the date on which the payment is made.

8. *EFFECTIVE DATE.*

This Agreement shall be effective as of January 31, 1999.

9. *MISCELLANEOUS PROVISIONS.*

(a) This Agreement supersedes all prior written or oral understandings between the parties hereto relating to the subject matter hereof and contains the entire understanding of the parties hereto with respect to such subject matter. No alteration, amendment, or modification of any of the terms of this Agreement shall be valid unless made by an instrument signed in writing by an authorized officer of each party hereto.

(b) This Agreement has been made in, and shall be construed and enforced in accordance with the laws of, the State of New York, without regard to New York's conflict of law principles.

(c) As between the parties hereto, the provisions of this Agreement shall fix the liability of each to the other as to the matters provided for herein, regardless of whether such provisions are controlling for federal income tax or other purposes (including, without limitation, computations of earnings and profits).

(d) This Agreement shall be binding upon, enforceable by and against, and inure to the benefit of, the parties hereto and their respective successors and assigns, and no assignment shall relieve any party's obligation hereunder without the written consent of the other party.

(e) In case any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

(f) All determinations required hereunder for each taxable year shall be made by Parent. Such determination shall be final and binding upon the parties for the purposes hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first set forth above.

COMVERSE TECHNOLOGY, INC.

By: /s/ DAVID KREINBERG

Name: David Kreinberg
Title: Chief Financial Officer

COMVERSE INFOSYS, INC.

By: /s/ DAN BODNER

Name: Dan Bodner
Title: President and Chief Executive Officer

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Exhibit 10.3

PATENT LICENSE AGREEMENT BETWEEN
COMVERSE INFOSYS TECHNOLOGY, INC.

and

COMVERSE PATENT HOLDING COMPANY, INC.

Effective as of December 30, 1999 (the "EFFECTIVE DATE"), by and between Comverse Infosys Technology, Inc., a Delaware corporation ("CITI"), having an office at 11260 Roger Bacon Drive, Suite 402, Reston, Virginia 20190 and Comverse Patent Holding Company, Inc. ("COMVERSE"), a Delaware corporation, having a principal place of business at 1201 Hays Street, Tallahassee, Florida 32301.

WHEREAS, COMVERSE and Lucent Technologies GRL Corp. ("LUCENT GRL") are entering into a patent license agreement entitled PATENT LICENSE AGREEMENT between LUCENT TECHNOLOGIES GRL CORP. and COMVERSE PATENT HOLDING COMPANY, INC. (the "LUCENT AGREEMENT");

WHEREAS, under the LUCENT AGREEMENT, COMVERSE shall license to LUCENT GRL certain patents owned or otherwise licensable by COMVERSE and the related companies of COMVERSE and LUCENT GRL shall license to COMVERSE certain patents owned or otherwise licensable by LUCENT GRL and the related companies of LUCENT GRL;

WHEREAS, under the LUCENT AGREEMENT, COMVERSE has the right to grant to CITI a sublicense under the patents that LUCENT GRL has licensed to COMVERSE; and

WHEREAS, CITI is desirous of acquiring a sublicense under the patents that LUCENT GRL has licensed to COMVERSE.

NOW, THEREFORE CITI and COMVERSE hereby agree as follows:

1. CITI hereby grants to COMVERSE a paid up license for the term of this Agreement to make, have made, use, lease, sell, offer to sell, or import, any product, process, or service under any patent in any country of the world that CITI owns or otherwise has the right to license at any time during the term of this Agreement.

2. COMVERSE shall not have the right to grant sublicenses under the license of paragraph one (1) of this Agreement, except COMVERSE shall have the right to grant a sublicense to LUCENT GRL in accordance with the terms and conditions of the LUCENT AGREEMENT.

3. COMVERSE agrees to grant a sublicense to CITI under the patents licensed to COMVERSE by the LUCENT AGREEMENT and in accordance with the terms and conditions of the LUCENT AGREEMENT.

4. The term of this Agreement shall be from the EFFECTIVE DATE of this Agreement until such time as the LUCENT AGREEMENT expires or is otherwise terminated.

Date 1/17/00

For COMVERSE PATENT HOLDING COMPANY, INC.

by /s/ DAVID KREINBERG

Date 1/17/00

For COMVERSE INFOSYS, INC.

by /s/ DAN BODNER

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Exhibit 10.4

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT dated as of January 31, 2002 (this "*Agreement*"), by and between COMVERSE INFOSYS, INC., a Delaware corporation (the "*Company*"), and COMVERSE TECHNOLOGY, INC., a New York corporation ("*Comverse*").

W I T N E S S E T H:

WHEREAS, Comverse is the holder of a majority of the outstanding shares of common stock, par value $.001 per share, of the Company ("*Common Stock*"); and

WHEREAS, the parties hereto desire to enter into this Agreement which sets forth the registration rights, and certain other related covenants, applicable to the shares of Common Stock that are held from time to time by Comverse and/or any of its subsidiaries.

NOW, THEREFORE, in consideration of the premises and the mutual obligations, covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 *Definitions.* For purposes of this Agreement, the following terms shall have the meanings set forth below:

"*Affiliate*" shall mean, with respect to any given Person, any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, and when used with respect to any individual shall also include the Relatives of such individual. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"*Business Day*" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"*Commission*" means the Securities and Exchange Commission or any other similar or successor agency of the United States government administering the Securities Act.

"*Exchange Act*" means the Securities Exchange Act of 1934, and any similar or successor federal statute, and the rules and regulations of the Commission thereunder, as in effect at the time.

"*NASD*" shall mean the National Association of Securities Dealers, Inc. or any successor corporation thereto.

"*Person*" means a corporation, an association, a trust, a partnership, a limited liability company, a joint venture, an organization, a business, an individual, a government or political subdivision thereof, or a governmental body.

"*Prospectus*" means the prospectus included in any Registration Statement, together with and including any amendment or supplement to such prospectus, covering the public offering of any portion of the Registrable Securities covered by a Registration Statement, and all material incorporated by reference in such Prospectus.

"*Registering Shareholder*" means any Shareholder whose Registrable Securities are included in a Registration Statement filed pursuant to this Agreement.

"*Registrable Securities*" means the shares of Common Stock held by Comverse or any subsidiary thereof on the date hereof or that may be acquired by Comverse or any subsidiary thereof from time to time after the date hereof and any shares or other securities into which or for which such shares of Common Stock may be changed, converted or exchanged after the date hereof and any other shares or securities issued after the date hereof in respect of such shares (or such shares or other securities into which or for which such shares are so changed, converted or exchanged), in each case upon any reclassification, stock combination, stock subdivision, stock dividend, share exchange, merger, consolidation or similar transaction; provided, however, that a security will cease to be a Registrable Security when it (i) has been effectively registered under the Securities Act and disposed of in accordance with the Registration Statement covering it or (ii) is sold pursuant to Rule 144 (or any similar rule then in force) under the Securities Act.

"*Registration Statement*" means a registration statement filed or to be filed by the Company with the Commission covering Registrable Securities.

"*Relatives*" means, with respect to any individual, the spouse, parents, siblings and descendants of such individual and their respective issue (whether by blood or adoption and including stepchildren) and the spouses of such persons.

"*Securities Act*" means the Securities Act of 1933, as amended, or any similar federal statute, together with the rules and regulations of the Commission promulgated thereunder, as in effect at the time.

"*Shareholder*" means Comverse, any subsidiary thereof or successor thereto that holds Registrable Securities.

ARTICLE II
REGISTRATION RIGHTS

2.1 *Demand Registration.*

(a) *Request for Registration.* Subject to the provisions hereof, at any time and from time to time Comverse may make a written request (a "Demand") that the Company prepare and file with the Commission a Registration Statement on Form S-1 or, if the Company is then eligible to do so, that the Company prepare and file with the Commission a Registration Statement on Form S-3, so as to permit a public offering and sale of Registrable Securities. Any Demand shall specify the number of Registrable Securities proposed to be registered and the intended method of disposition thereof. A registration effected pursuant to this Section 2.1 is hereinafter referred to as a "Demand Registration."

(b) *Limitation on Demand Rights.* Notwithstanding anything to the contrary set forth in Section 2.1(a) hereof: (i) no Demand may be made less than (A) one hundred and eighty (180) days following the effective date of the Registration Statement on Form S-1 filed by the Company in connection with an initial public offering of the Common Stock; or (B) ninety (90) days following the effective date of any Registration Statement filed by the Company pursuant to Sections 2.1 hereof; and (ii) Comverse shall not be entitled to make more than one Demand that the Company prepare and file with the Commission a Registration Statement on Form S-1.

(c) *Right to Delay Demand Registration.* If, at any time when a Demand is received by the Company, (i) the Company has undertaken to prepare a registration statement which is intended to be filed within ninety (90) days from the date the Demand was received, or (ii) the Company's Board of Directors determines, in good faith, that filing a Registration Statement in response to such Demand either (A) would require the Company to make a public disclosure of information which would have a material adverse effect upon the Company or would be seriously detrimental to the Company or its shareholders or (B) could interfere with, or would require the Company to accelerate public disclosure of, any material financing, acquisition, disposition, corporate reorganization or other material transaction involving the Company or its subsidiaries, then the Company may, at its option, cause the registration requested pursuant to the Demand to be delayed for a period not in excess of ninety (90) days from the effective date of the registration statement which the Company is preparing or from the date such Demand was received (such right to delay a request pursuant to clause (ii) of this Section 2.1(c) may be exercised by the Company not more than twice in any calendar year). If there is a postponement under this Section 2.1(c), Comverse may withdraw such Demand by giving notice in writing to the Company. In such case, no Demand will have been delivered for the purposes of this Section 2.1.

(d) *Company Participation.* The Company may elect to register in any Registration Statement prepared pursuant to a Demand made under this Section 2.1 any additional shares of Common Stock (including, without limitation, any shares of Common Stock to be distributed in a primary offering made by the Company). Such

election, if made, shall be made by the Company giving written notice to Comverse stating (i) that the Company proposes to include additional shares of Common Stock in such Registration Statement and (ii) the number of shares of Common Stock proposed to be so included.

(e) *Withdrawal Right.* Comverse shall have the right to withdraw any Demand by giving written notice to the Company of its request to withdraw; provided, however, that (i) such withdrawal request must be made in writing prior to the earlier of (A) the execution of the underwriting agreement or the execution of the custody agreement with respect to such Demand Registration or (B) in the absence of any such agreement, the date on which the Registration Statement filed pursuant to such Demand is declared effective, and (ii) such withdrawal shall be irrevocable and, after making such withdrawal, Comverse shall not be entitled to make any subsequent Demand for a period of ninety (90) days after the date of such withdrawal.

(f) *Effective Demand.* For purpose of clause (ii) of Section 2.1(b) hereof, a Demand, if made pursuant to Section 2.1(a) and not withdrawn in accordance with Section 2.1(e), shall be deemed to have been made only if (i) in response thereto, the Company shall have filed a Registration Statement, (ii) such Registration Statement shall have been declared effective under the Securities Act and (iii) such Registration Statement shall not have become the subject of any stop order, injunction or other order or requirement of the Commission or any other governmental or administrative agency which prevents the sale of Registrable Securities pursuant to such Registration Statement, and no court prevents or otherwise limits the sale of such securities pursuant to such Registration Statement; provided, however, that, notwithstanding anything to the contrary set forth in this Section 2.1(f), a Demand shall be deemed to have been made by Comverse, if Comverse made a Demand and either (x) Comverse withdrew such Demand after the earlier of (A) the execution of the underwriting agreement or the execution of the custody agreement with respect to such Demand Registration or (B) in the absence of any such agreement, the date on which the Registration Statement filed pursuant to such Demand is declared effective, or (y) the failure of one or more of the conditions set forth in clauses (i), (ii) or (iii) of this Section 2.1(f) to be satisfied is attributable to the acts or omissions of Comverse.

2.2 *Piggyback Registration.*

(a) *Notice of Registration.* If, at any time, the Company proposes to file a registration statement with the Commission in connection with any public offering of Common Stock (other than in connection with an initial public offering of Common Stock), whether for the account of the Company or any other Person (other than a registration statement on Form S-4 or Form S-8 (or any successor forms under the Securities Act) or other registrations relating solely to employee benefit plans or any transaction governed by Rule 145 under the Securities Act), the Company shall give written notice of such proposed filing and proposed date thereof to each Shareholder that owns Registrable Securities at least fifteen (15) days before the anticipated filing of such registration statement, offering such Shareholder the opportunity to offer and sell Registrable Securities, by means of the prospectus contained in such registration

statement. If such Shareholder desires to have its Registrable Securities registered under such registration statement pursuant to this Section 2.2, such Shareholder shall advise the Company thereof in writing within ten (10) days after the date of its receipt of the Company's notice (which request shall set forth the number of Registrable Securities for which registration is requested). Subject to Sections 2.3 hereof, the Company shall include in such registration statement, if filed, all Registrable Securities so requested by such Shareholder to be included so as to permit such securities to be sold or disposed of in the manner and on the terms set forth in such request. Such registration shall hereinafter be called a "Piggyback Registration". The Company shall have the right at any time to delay or discontinue, without liability to the Shareholders, any Piggyback Registration under this Section 2.2 at any time prior to the effective date of the Registration Statement if the proposed offering of Common Stock contemplated thereunder is discontinued.

(b) *Withdrawal Right.* Any Shareholder shall have the right to withdraw its request for inclusion of its Registrable Securities in any Registration Statement pursuant to this Section 2.2 by giving written notice to the Company of its request to withdraw; provided, however, that (i) such withdrawal request must be made in writing prior to the earlier of the execution of the underwriting agreement or the execution of the custody agreement with respect to such Piggyback Registration and (ii) such withdrawal shall be irrevocable and, after making such withdrawal, such Shareholder shall no longer have any right to include Registrable Securities in the Piggyback Registration from which such Shareholder withdrew.

2.3 *Allocation of Securities Included in Registration Statements.* In connection with any Registration Statement in which the Shareholders have requested to include Registrable Securities which relates to an underwritten public offering, if the managing underwriter(s) of such offering advise(s) that the inclusion in such Registration Statement of some or all of the shares sought to be registered thereunder exceeds the number of shares (the "*Saleable Number*") that can be sold in an orderly fashion without a substantial risk that the price per share to be derived from such registration will be materially and adversely affected, then the number of shares offered thereunder shall be limited to the Saleable Number and shall be allocated, subject to Section 3.5 below, as follows:

(i) if such registration is being effected in connection with any Piggyback Registration requested by the Shareholders for inclusion pursuant to Section 2.2 hereof, (1) first, to all the shares of Common Stock that the Company proposes to register for its own account, (2) second, the difference, if any, between the Saleable Number and the number of shares to be included pursuant to clause (1) above, to Registrable Securities of Comverse, (3) third, the difference, if any, between the Salable Number and the number of shares to be included pursuant to clauses (1) and (2) above, to Registrable Securities of the other Shareholders, pro rata on the basis of the number of Registrable Securities requested to be included in such Piggyback Registration by each such Shareholder, until such Shareholders have sold all such Registrable Securities, and (4) fourth, the difference, if any, between the Saleable Number and the

number of shares to be included pursuant to clauses (1), (2) and (3) above, to all other selling shareholders, pro rata on the basis of the number of shares offered for sale by each such shareholder; and

(ii) if the registration is being effected pursuant to a Demand Registration requested by Comverse pursuant to Section 2.1 hereof, (1) first, to Registrable Securities of Comverse, (2) second, the difference, if any, between such number and number of shares to be included in such Demand Registration pursuant to clause (1) above, to Registrable Securities of the other Shareholders participating in the offering, pro rata, on the basis of the number of Registrable Securities requested to be included in such Demand Registration by each such Shareholder, until such Shareholders have sold all such Registrable Securities, (3) third, the difference, if any, between the Saleable Number and the number of shares to be included pursuant to clauses (1) and (2) above, to shares that the Company proposes to register for its own account, and (4) fourth, the difference, if any, between the Saleable Number and the number of shares to be included pursuant to clauses (1), (2) and (3) above, to all other selling shareholders, pro rata on the basis of the number of shares requested to be included by each such shareholder.

2.4 *Certain Notices; Suspension of Sales.* The Company may, upon written notice to the Registering Shareholders, suspend such Registering Shareholder's use of any Prospectus (which is a part of any Registration Statement) for a reasonable period not to exceed ninety (90) days if the Company in its reasonable judgment believes it may possess material non-public information the disclosure of which in its reasonable judgment would have a material adverse effect on the Company and its subsidiaries taken as a whole. Each Registering Shareholder of Registrable Securities agrees by its acquisition of such Registrable Securities to hold any communication by the Company pursuant to this Section 2.4 in confidence.

ARTICLE III
REGISTRATION PROCEDURES

3.1 *Registration Procedures.* Subject to the terms of this Agreement, whenever the Company is required to effect or cause the registration of Registrable Securities pursuant to Article II hereof, the Company shall use commercially reasonable efforts to effect the registration of such Registrable Securities in accordance with the intended method of disposition thereof as quickly as practicable. In connection with any Demand Registration, the Company shall, except as set forth in Section 2.1(c), as expeditiously as possible (and in no event more than sixty (60) days from the date of receipt of a Demand) prepare and file with the Commission a Registration Statement on such form (including Form S-3) for which the Company then qualifies as the Company shall deem appropriate and which shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the provisions of this Agreement and in accordance with the intended method of disposition of such Registrable Securities. The Company shall use commercially reasonable efforts to cause any Registration Statement filed hereunder to be declared effective as soon as reasonably

practicable after the filing thereof with the Commission, including, without limitation, preparing and/or filing with the Commission such other documents as may be necessary to comply with the provisions of the Securities Act. Subject to the provisions of Section 2.4 hereof, the Company shall as expeditiously as possible prepare and file with the Commission such amendments and supplements to any Registration Statement filed hereunder and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective (pursuant to Rule 415 under the Securities Act or otherwise) until the earlier of (i) the date on which all of the Registrable Securities registered therein shall have been sold, and (ii) ninety (90) days after such Registration Statement is declared effective.

3.2 *Copies; Review.*

(a) At least five (5) Business Days before filing a Registration Statement or Prospectus or any amendment or supplement thereto (whether before or after effectiveness), the Company will furnish to the Registering Shareholders copies of all such documents proposed to be filed. Such documents will be subject to the review of the Registering Shareholders. The Company will immediately amend such Registration Statement and Prospectus to include such reasonable changes as the Registering Shareholders and the Company reasonably agree should be included therein. Any Registering Shareholder requesting a change which in its reasonable judgment is unreasonably refused by the Company may withdraw its Registrable Securities from such Registration Statement.

(b) The Company shall make available for inspection by any Registering Shareholder, any underwriter participating in any disposition pursuant to a Registration Statement, and any attorney, accountant or other agent retained by any such shareholder or underwriter (collectively, the "Inspectors"), all material financial and other records, pertinent documents and properties of the Company as shall be necessary to enable them to exercise their due diligence responsibility.

The Company shall cause its officers, directors and employees to supply all material information requested by any such Inspector in connection with any such Registration Statement.

3.3 *Amendments.* Subject to Section 2.4 hereof, the Company shall (a) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable time period required herein, (b) cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act, and (c) comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended methods of disposition by the Registering Shareholders set forth in such Registration Statement or Prospectus supplement.

3.4 *Notification.* The Company shall promptly notify the Registering Shareholders and (if requested by any such Person) confirm such notification in writing, (a) when the Prospectus has been filed, and, with respect to the Registration Statement,

when it has become effective, (b) of any request by the Commission for amendments or supplements to the Registration Statement or the Prospectus or for additional information, (c) of the issuance of any stop order suspending the effectiveness of the Registration Statement, or the refusal or suspension of qualification of registration of Registrable Securities, or the initiation of any proceedings for that purpose, (d) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, and (e) of any event that makes any material statement made in the Registration Statement, the Prospectus or any document incorporated therein by reference untrue or that requires the making of any changes in the Registration Statement, the Prospectus or any document incorporated therein by reference in order to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect. Subject to Section 2.4 hereof, the Company will make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the Registration Statement at the earliest possible moment. If any event contemplated by clause (e) occurs, subject to Section 2.4 hereof, the Company shall promptly prepare a supplement or post-effective amendment to the Registration Statement or the Prospectus or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Upon receipt of any notice from the Company that any event of the kind described in clause (b), (c), (d) or (e) has happened, each Registering Shareholder shall discontinue offering the Registrable Securities until the Registering Shareholder receives the copies of the supplemented or amended Prospectus contemplated by the previous sentence, or until it is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus.

3.5 *Information Included.* The Company may require each Registering Shareholder to furnish in writing to the Company such information regarding the Registering Shareholder and the distribution of the Registrable Securities as the Company may from time to time reasonably require for inclusion in the Registration Statement, and such other information as may be legally required in connection with such registration including, without limitation, all such information as may be requested by the Commission or the NASD. Each Registering Shareholder shall provide such information in writing and signed by such Shareholder and stated to be specifically for inclusion in the Registration Statement. The Company may exclude from such registration the Registrable Securities of any Registering Shareholder that fails to furnish such information within a reasonable time after receiving such request. Each Registering Shareholder agrees to furnish to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Registering Shareholder not misleading. If requested by the Registering Shareholders, the Company will as soon as practicable incorporate in a Prospectus supplement or post-effective amendment such information as the Registering Shareholders reasonably request be included therein relating to the sale of the Registrable Securities, including, but not limited to, information with respect to the number of Registrable Securities being sold

and any other terms of the distribution of the Registrable Securities to be sold in such Offering. Subject to Section 2.4 hereof, the Company will make all required filings of such Prospectus supplement or post-effective amendment as promptly as practicable after being notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment.

3.6 *Underwritten Offerings.* In the event that the distribution of the Registrable Securities covered by a Registration Statement filed hereunder shall be effected by means of an underwriting, the following provisions shall apply:

(a) if such distribution of Registrable Securities is being effected pursuant to a Demand Registration, the underwriter(s) shall be designated by Comverse;

(b) the Company shall (i) cooperate with the underwriter(s), including attending any road shows and providing such assistance as the underwriter(s) may reasonably request in connection with the preparation of any materials necessary or desirable to effect such underwriting, (ii) enter into any such underwriting agreement as shall be appropriate in the circumstances, (iii) use commercially reasonable efforts to comply with and satisfy all of the terms and conditions of each such underwriting agreement to which it shall be a party, and (iv) comply with all applicable rules and regulations of the Commission including, without limitation, applicable reporting requirements under the Exchange Act; and

(c) if such distribution of Registrable Securities is being effected pursuant to a Demand Registration, including, without limitation, in any primary offering by the Company, any over-allotment option to be granted to the managing underwriter(s) shall be allocated to and granted by any Person designated by Comverse, and if such distribution is being effected pursuant to a Piggyback Registration, any over-allotment option to be granted to the managing underwriter(s) shall be allocated to and granted by the Company (in the event of any primary offering by the Company) and all selling shareholders pro-rata based on the number of shares sold pursuant to such offering.

3.7 *Copies.* The Company will (i) promptly furnish to the Registering Shareholders without charge, at least one signed copy of the Registration Statement and any post-effective amendment thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference), and (ii) promptly deliver to the Registering Shareholders without charge, as many copies of the Prospectus (including each preliminary Prospectus) and any amendment or supplement thereto as such Persons may reasonably request. The Company consents to the use of the Prospectus or any amendment or supplement thereto by the Registering Shareholders in connection with the offering and sale of the Registrable Securities covered by the Prospectus or any amendment or supplement thereto.

3.8 *Blue Sky Registration.* Prior to any offering of Registrable Securities covered by a Registration Statement under Sections 2.1 or 2.2, the Company will register or qualify or cooperate with the Registering Shareholders and their

respective counsel in connection with the registration or qualification of such Registrable Securities under the securities or blue sky laws of any such jurisdictions in the United States as the Registering Shareholders reasonably request in writing, and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of such Registrable Securities. The Company will not be required to take any actions under this Section 3.8 if such actions would require the Company to submit to the general taxation of any jurisdiction where it is not then so subject or to file in any jurisdiction any general consent to service of process.

3.9 *Certificates.* The Company will cooperate with the Registering Shareholders to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold that do not bear any restrictive legends. Such certificates will be in such denominations and registered in such names as the Registering Shareholders request at least two (2) Business Days prior to any sale of Registrable Securities.

3.10 *Section 11(a) Notice.* The Company will make generally available to its shareholders the information required pursuant to the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

3.11 *Registration Expenses.*

(a) *Company Expenses.* Subject to the provisions of Section 3.11(b) below, the Company shall pay all expenses incident to the Company's performance of or compliance with this Agreement, including, but not limited to, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, fees and expenses incurred in connection with the quotation or listing of the Registrable Securities on Nasdaq (or any other exchange on which such securities are then listed), transfer agent fees, printing expenses, messenger expenses, telephone and delivery expenses, and fees and disbursements of counsel to the Company and of independent certified public accountants of the Company. The Company shall also pay for (i) the Company's internal expenses, including the expense of any annual audit, and (ii) the fees and expenses of any Person retained by the Company.

(b) *Shareholder Expenses.* The Registering Shareholders shall pay all underwriting fees, commission and discounts with respect to the sale of any Registrable Securities and any transfer taxes incurred in respect of such sale. Each Registering Shareholder shall also be responsible for the payment of all fees and expenses of legal counsel retained by it.

ARTICLE IV
INDEMNIFICATION

4.1 *Indemnification by the Company.* The Company will indemnify and hold harmless each of the Registering Shareholders from and against any and all losses, claims, damages and liabilities ("Losses") reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted

to which the Registering Shareholder may become subject under the Securities Act, the Exchange Act or other federal or state securities law or regulation, at common law or otherwise, insofar as such Losses arise out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or preliminary prospectus or any amendment or supplement thereto or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or (b) any violation by the Company of the Securities Act or the Exchange Act, or other federal or state securities law applicable to the Company and relating to any action or inaction required of the Company in connection with such registration. In addition, the Company will reimburse the Registering Shareholder for any reasonable investigation, legal or other expenses incurred by such Registering Shareholder in connection with investigating or defending any such Loss. Notwithstanding anything herein to the contrary, the Company will not be liable with respect to the portion of any such Loss that (i) arises out of or is based upon any alleged untrue statement or alleged omission made in such Registration Statement, preliminary Prospectus, Prospectus, or amendment or supplement in reliance upon and in conformity with written information furnished to the Company by the Registering Shareholders specifically for use therein or (ii) attributable to a Registering Shareholder's (A) use of a Prospectus after being notified by the Company to suspend use thereof pursuant to Section 3.4 above or (B) failure to deliver a final Prospectus to the Person asserting any losses, claims, damages and liabilities and judgments caused by any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, if such material misstatement or omission or alleged material misstatement or omission was cured in an amended or supplemented Prospectus prepared by the Company and delivered to the Registering Shareholder at or prior to the time written confirmation of sale to such Person was required to be made. The foregoing indemnity will remain in full force and effect regardless of any investigation made by or on behalf of the Registering Shareholder, and will survive the transfer of such securities by the Registering Shareholder.

4.2 *Indemnification by Registering Shareholders.* If a Registering Shareholder sells Registrable Securities under a Prospectus that is part of a Registration Statement, the Registering Shareholder shall indemnify and hold harmless the Company, its directors and each officer who signed such Registration Statement and each Person who controls the Company (within the meaning of Section 15 of the Securities Act) (each, a "*Controlling Person*") under the same circumstances as the foregoing indemnity from the Company to the Registering Shareholders but only to the extent that such Losses arise out of or are based upon any untrue or allegedly untrue statement of a material fact or omission or alleged omission of a material fact that was made in the Prospectus, the Registration Statement, or any amendment or supplement thereto, in reliance upon and in conformity with written information relating to a Registering Shareholder furnished to the Company by a Registering Shareholder expressly for use therein. In no event will the aggregate liability of a Registering Shareholder exceed the amount of the net proceeds received by the Registering Shareholder upon the sale of the Registrable Securities giving rise to such indemnification obligation. Such indemnity will remain in full force and

effect regardless of any investigation made by or on behalf of the Company or such officer, director, employee or Controlling Person, and will survive the transfer of such securities by the Registering Shareholder.

4.3 *Contribution.* If the indemnification provided for in Sections 4.1 or 4.2 is unavailable to an indemnified party, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, will have a joint and several obligation to contribute to the amount paid or payable by such indemnified party as a result of such Losses. Such contribution will be in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party, on the one hand, and indemnified party, on the other hand, will be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken or made by, or relates to information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The amount paid or payable by a party as a result of any such Losses will be deemed to include any investigation, legal or other fees or expenses incurred by such party in connection with any investigation or proceeding, to the extent such party would have been indemnified for such expenses if the indemnification provided for in Sections 4.1 or 4.2 was available to such party. If, however, the allocation provided above is not permitted by applicable law, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative faults but also the relative benefits of the indemnifying party and the indemnified party as well as any other relevant equitable considerations. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 4.3 were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the preceding sentences of this Section 4.3. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

4.4 *Conduct of Indemnification Proceedings.* Any Person entitled to indemnification hereunder will (a) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification, and (b) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided that the failure to give such notice shall not relieve an indemnifying party of liability except to the extent it has been prejudiced as a result. Any Person entitled to indemnification hereunder shall have the right to employ separate counsel and to participate in (but not control) the defense of such claim, but the fees and expenses of such counsel will be at the expense of such Person and not of the indemnifying party unless (x) the indemnifying party has agreed to pay such fees or expenses, (y) the indemnifying party has failed to assume the defense of such claim and employ counsel reasonably satisfactory to such Person within a reasonable period of time

pursuant to this Agreement, or (z) a conflict of interest exists between such Person and the indemnifying party with respect to such claims that would make such separate representation required under applicable ethical rules. In the case of clause (z) above, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person. If such defense is not assumed by the indemnifying party, the indemnifying party shall not be subject to any liability for any settlement made without its consent (but such consent shall not be unreasonably withheld). No indemnified party will be required to consent to entry of any judgment or enter into any settlement that does not include as an unconditional term the giving of a release, by all claimants or plaintiffs, to such indemnified party from all liability with respect to such claim or litigation. Any indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel (other than required local counsel) for all parties indemnified by such indemnifying party with respect to such claim.

ARTICLE V
OTHER AGREEMENTS

5.1 *Restrictions on Public Sale by the Shareholders.* If requested by the managing underwriter(s) of an underwritten public offering, the Shareholders will not effect any public sale or distribution of securities of the same class (or securities exchangeable or exercisable for or convertible into securities of the same class) as the securities included in such offering (including, but not limited to, a sale pursuant to Rule 144 of the Securities Act) during the 10-day period prior to and the 180-day period (or shorter period requested by the underwriter) beginning on the effective date of, such offering.

5.2 *Rule 144.* The Company shall file, on a timely basis, all reports required to be filed by it under the Securities Act and the Exchange Act, and will take such further action and provide such documents as the Shareholders may reasonably request, all to the extent required from time to time to enable the Shareholders to sell Registrable Securities without registration under the Securities Act within the limitation of the conditions provided by (i) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Commission. Upon the request of a Shareholder, the Company will deliver to the Shareholder a statement verifying that it has complied with such information and requirements.

ARTICLE VI
MISCELLANEOUS

6.1 *Amendments; Waivers.* This Agreement may not be amended, changed, supplemented, waived or otherwise modified or terminated, except upon the execution and delivery of a written agreement executed by the parties hereto.

6.2 *Entire Agreement.* This Agreement constitutes the entire agreement between the parties hereto pertaining to its subject matter, and supersedes and replaces all prior agreements and understandings of the parties in connection with such subject matter.

6.3 *Notices.* All notices and other communications hereunder shall be given in writing and delivered personally, by registered or certified mail (postage prepaid, return receipt requested), by overnight courier (postage prepaid), facsimile transmission or similar means, to the party to receive such notices or communications at the address set forth below (or such other address as shall from time to time be designated by such party to the other parties in accordance with this Section 6.3):

If to the Company, to:
Comverse Infosys, Inc.
234 Crossways Park Drive
Woodbury, New York 11797
Facsimile: (516) 677-7399

Attention: President and Chief
Executive Officer

If to Comverse, to:
Comverse Infosys, Inc.
170 Crossways Park Drive
Woodbury, New York 11797
Facsimile: (516) 677-7355
Attention: Senior Counsel

All such notices and communications hereunder shall be deemed given when received, as evidenced by the signed acknowledgment of receipt of the person to whom such notice or communication shall have been personally delivered, the acknowledgment of receipt returned to the sender by the applicable postal authorities, the confirmation of delivery rendered by the applicable overnight courier service, or the confirmation of a successful facsimile transmission of such notice or communication. A copy of any notice or other communication given by any party to any other party hereto, with reference to this Agreement, shall be given at the same time to the other parties to this Agreement.

6.4 *GOVERNING LAW.* THE PARTIES HERETO AGREE THAT THIS AGREEMENT, AND THE RESPECTIVE RIGHTS, DUTIES AND OBLIGATIONS OF THE PARTIES HEREUNDER, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREUNDER.

6.5 *Assignment.* No Shareholder shall be permitted assign any of its rights or obligations hereunder by operation of law or otherwise without the prior written consent of the Company; provided, that a Shareholder may assign any of its rights or obligations hereunder to any Affiliate of such Shareholder that acquires Registrable

Securities without obtaining the prior written consent of the Company, provided that such Affiliate agrees in writing to be bound by the provisions of this Agreement that are applicable to such Shareholder as if such Affiliate was an original party hereto; provided, further, however, that notwithstanding any such assignment such Shareholder shall continue to be liable for the performance of all obligations of such Shareholder and those of its assignee hereunder.

6.6 *Severability.* Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. If any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

6.7 *No Waiver.* The failure of any party hereto to exercise any right, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

6.8 *No Third Party Beneficiaries.* This Agreement is not intended to be for the benefit of, and shall not be enforceable by, any Person who or which is not a party hereto.

6.9 *Headings.* The Section headings in this Agreement are for convenience of reference only and are not intended to be a part of this Agreement or to affect the meaning or interpretation of this Agreement.

6.10 *Counterparts.* This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Registration Rights Agreement as of the date first set forth above.

COMVERSE INFOSYS, INC.

By: /s/ DAN BODNER

Name: Dan Bodner
Title: President and Chief Executive Officer

COMVERSE TECHNOLOGY, INC.

By: /s/ DAVID KREINBERG

Name: David Kreinberg
Title: Chief Financial Officer

QuickLinks

Exhibit 10.5

CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT, dated as of February 1, 2001 (the "*Agreement*"), by and between Comverse Infosys, Inc., a Delaware corporation ("*Infosys*") and Comverse Technology, Inc., a New York corporation ("*Comverse*").

W I T N E S S E T H:

WHEREAS, Comverse owns the outstanding share of capital stock of Comverse GmbH, a company organized under the laws of the Federal Republic of Germany ("*Holdco*", and such share is referred to herein as the "*Holdco Share*"); and

WHEREAS, Holdco (i) has a 99.8% partnership interest in Syborg Informationsysteme beschränkt haftende OHG, a general partnership organized under the laws of the Federal Republic of Germany ("*Syborg*", and such partnership interest is referred to herein as the "*Syborg Interest*") and (ii) owns the outstanding share of capital stock of Comverse Grundbesitz GmbH, a company organized under the laws of the Federal Republic of Germany ("*Grundbesitz*", and such share is referred to herein as the "*Grundbesitz Share*"); and

WHEREAS, Comverse is the holder of all the outstanding shares of capital stock of Loronix Information Systems, Inc., a Nevada corporation ("*Loronix*", and such shares are referred to herein as the "*Loronix Shares*"); and

WHEREAS, Comverse desires to contribute the Holdco Share and the Loronix Shares (together, the "*Transaction Shares*") to Infosys in exchange for the issuance by Infosys to Comverse of 34,539,905 shares of the common stock, par value $.001 ("*Common Stock*"), of Infosys; and

WHEREAS, Comverse and Infosys intend that the contribution of the Transaction Shares to Infosys in exchange for the Infosys Shares (as defined below) qualify as a tax-free exchange pursuant to Section 351(a) of the Code (as defined below); and

WHEREAS, effective from February 1, 2001 Infosys has been treating each of Holdco, Syborg, Grundbesitz and Loronix as a subsidiary of Infosys.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 *Definitions.* For purposes of this Agreement, the following terms shall have the meanings set forth below:

"*Acquired Companies*" shall mean each of Holdco, Syborg, Grundbesitz, Loronix and their respective Subsidiaries.

"*Affiliate*" shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person.

"*Business Day*" shall mean a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"*Code*" shall mean the United States Internal Revenue Code of 1986, as amended.

"*Documentation*" shall mean technical documentation (design specifications, functional requirements, operating instructions, logic manuals, flow charts, etc.), user documentation (installation guides, user manuals, training materials, release notes, working papers, etc.), marketing documentation (sales brochures, flyers, pamphlets, web pages, etc.), and other written materials.

"*Encumbrances*" shall mean any and all mortgages, security interests, liens, claims, pledges, restrictions (including restrictions on transfer), leases, title exceptions, easements, rights of way, rights of first refusal, charges or other encumbrances.

"*Environmental Laws*" means all applicable laws, regulations and rules of governmental authorities concerning pollution or protection of the environment.

"*ERISA*" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the applicable regulations promulgated thereunder.

"*ERISA Affiliate*" shall mean any corporation or trade or business (whether or not incorporated) which is or has ever been treated as a single employer with or which is or has been under common control with any of the Acquired Companies within the meaning of Section 4001(b) of ERISA or Section 414(b), (c), (m) or (o) of the Code.

"*GAAP*" shall mean generally accepted accounting principles in effect in the United States of America as of the date of the applicable determination.

"*Hardware*" shall mean any and all computer and computer-related hardware, including computers, file servers, facsimile servers, scanners, readers, verifiers, color printers, laser printers and networks.

"*Hazardous Substance*" shall mean any substance, material or waste classified as hazardous, toxic, pollutant, contaminant or words of similar meaning under any provision of Environmental Laws.

"*Indebtedness*" shall mean, with respect to any Person, any indebtedness, whether secured or unsecured, of such Person and shall also include, to the extent not otherwise included, (i) any capitalized lease obligations of such Person and (ii) the face value of guaranties of obligations of other Persons which would be included within this definition for such other Persons (whether or not such items would appear upon the balance sheet of the guarantor).

"*Intellectual Property*" means (a) patents, utility models, and patent applications, including reissues, continuations, continuations-in-part, divisions, revisions, extensions, and reexaminations, (b) trademarks, domain names, service marks, trade dress, logos, trade names, and corporate names, including all goodwill associated therewith, and all applications, registrations and renewals thereof, (c) copyrights, and all applications, registrations and renewals thereof, (d) mask works and all applications, registrations and renewals thereof, and (e) trade secrets or similar rights in proprietary confidential information (including ideas, technology, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings and specifications).

"*IRS*" shall mean the United States Internal Revenue Service.

"*Legal Proceedings*" shall mean any judicial, administrative or arbitral actions, suits, proceedings (public or private) or governmental proceedings.

"*Liability*" means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

"*Modification*" shall mean, with respect to any item, any modification, translation, conversion, compilation, upgrade or other derivative version of, or change or addition to, such item. "Modified" and "Modify" shall have corollary meanings.

"*Ordinary Course of Business*" means the ordinary course of business consistent with past custom and practice.

"*Person*" shall mean an individual, corporation, limited liability company, partnership, trust or unincorporated organization or a government or any agency or political subdivision thereof.

"*Products*" shall mean any and all Hardware and/or Software developed, marketed or sold by any of the Acquired Companies, and existing Modifications associated therewith.

"*Securities Act*" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"*Software*" shall mean any and all computer software, including, where applicable, source code, object code, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, and all materials, manuals, design notes, flow charts, algorithms, data, design specifications and other documentation related thereto or associated therewith.

"*Subsidiary*" shall mean, with respect to any Person, (i) each corporation, partnership, joint venture or other legal entity of which such Person owns, either directly or indirectly, more than 50% 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 similar governing body of such corporation, partnership, joint venture or other legal entity, (ii) each partnership in which such Person or another Subsidiary of such Person is the general or managing partner and (iii) each limited liability company in which such Person or another Subsidiary of such Person is the managing member or otherwise controls (by contract, through ownership of membership interests or otherwise).

"*Tax*" or "*Taxes*" shall mean all taxes, charges, fees, imposts, levies or other assessments by any governmental authority, including all net income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes, customs duties, fees, assessments and charges of any kind whatsoever, together with any interest and any penalties, fines, additions to tax or additional amounts imposed by any taxing authority (domestic or foreign) and shall include any liability in respect of Taxes as a transferee or as an indemnitor, guarantor, surety or in a similar capacity under any contract, arrangement, agreement, understanding or commitment (whether oral or written).

"*Technology*" shall mean, collectively, all designs, formulas, algorithms, procedures, methods, techniques, ideas, know-how, research and development, technical data, Software, programs, subroutines, tools, materials, specifications, processes, inventions (whether patentable or unpatentable and whether or not reduced to practice), apparatus, creations, improvements, works of authorship and other similar materials, and all recordings, graphs, drawings, reports, analyses, and other writings, and other tangible embodiments of the foregoing, in any form whether or not specifically listed herein, and all related technology, that are used in, incorporated in, embodied in, displayed by or relate to, or are used or useful in the design, development, reproduction, maintenance or modification of, any of the Products.

"*Third Party*" shall mean any Person other than Comverse, Infosys and each of the Acquired Companies.

1.2 *Other Definition Provisions.* (a) 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.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(c) The terms "dollars" and "$" shall mean United States dollars.

(d) The term "including" shall be deemed to be immediately followed by the term "but not limited to."

ARTICLE II
CONTRIBUTION TRANSACTION

2.1 *Contribution of Transaction Shares.* Subject to the terms set forth in this Agreement, at the Closing (as defined in Section 2.2 below) Comverse shall contribute to Infosys the Transaction Shares, free and clear of all Encumbrances; *provided, however,* that the actual transfer of the Holdco Share from Comverse to Infosys shall be effected within twelve (12) months after the Closing in the manner contemplated in Section 2.2 below. The consideration for the Transaction Shares contributed by Comverse hereunder shall be 34,539,905 shares of Common Stock of Infosys (the "Infosys Shares") which shall be issued by Infosys to Comverse at the Closing.

2.2 *Closing, Delivery and Payment.* The closing of the transactions contemplated hereby (the "*Closing*") will take place on the date hereof, at the offices of Comverse at 909 Third Avenue, New York, NY 10022 or such other date and place as mutually agreed upon in writing by the parties hereto. Subject to the terms and conditions hereof, at the Closing Comverse shall deliver to Infosys certificates representing the Loronix Shares contributed by Comverse pursuant to Section 2.1 hereof, registered in the name of Comverse, together with stock powers executed in blank by Comverse and Infosys shall deliver to Comverse one or more certificates representing the Infosys Shares. With regard to the Holdco Share, within twelve (12) months after the Closing Comverse shall deliver to Infosys a notarized deed of transfer, substantially in the form attached hereto as Exhibit 2.2, duly executed by Comverse in the presence of a qualified notary public in the Federal Republic of Germany, transferring the Holdco Share from Comverse to Infosys. The parties acknowledge and agree that the Transaction Shares and the Infosys Shares will not be registered under the Securities Act and, accordingly, certificates representing such securities will contain legends to that effect.

2.3 *Transfer of Ownership; Formal Legal Title.* It is the intention of the parties that (i) all of the burdens, benefits and incidents of ownership of the Loronix Shares be absolutely and unconditionally transferred from Comverse to Infosys as of the date hereof and (ii) all of the burdens, benefits and incidents of ownership of the Holdco Share be absolutely and unconditionally transferred from Comverse to Infosys within twelve (12) months after the Closing with economic effect as if such transfer had occurred on the date hereof and with Infosys having the right to participate in the profits and losses of Holdco as of and from the date hereof. It is the further intention of the parties that the issuance of the Infosys Shares in consideration for the Transaction Shares be made as of the date hereof.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF COMVERSE

Comverse makes the following representations and warranties to Infosys:

3.1 *Corporate Existence.* Comverse and each of the Acquired Companies is a corporation, or in the case of Syborg a general partnership, duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, with all requisite power and authority to enable it to own, lease and operate its assets and properties and to conduct its business as currently being conducted, and is qualified and in good standing to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties owned or leased by it requires such qualification, except where the failure to be so qualified and in good standing does not and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Comverse or such Acquired Company, as applicable.

3.2 *Corporate Power; Authorization; Enforceable Obligations.* Comverse has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite

corporate action on the part of Comverse. This Agreement has been duly executed and delivered by Comverse, and constitutes the legal, valid and binding obligation of Comverse, and is enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and to general principles of equity.

3.3 *Capitalization.*

(a) *Holdco.* As of the date hereof, the authorized capital stock of Holdco amounts to Euro 25,000, represented by one share with the nominal amount of Euro 25,000, which is validly issued and fully paid and not held in the treasury of Holdco. Other than the Holdco Share being contributed hereunder to Infosys, no shares of the capital stock of Holdco are issued or outstanding, or reserved for any purpose. There are no options, warrants, convertible or exchangeable securities or other rights (including pre-emptive, tag-along, right of first refusal, buy-sell, repurchase, redemption, registration or similar rights), agreements, arrangements or commitments of any character to which Holdco or Comverse is a party relating to the issued or unissued capital stock of Holdco or obligating or which could obligate Holdco to grant, issue or sell, or obligating or which could obligate Comverse to sell, transfer or otherwise dispose of, any shares of capital stock of Holdco to any Person other than Infosys. Holdco has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote or that are convertible into or exercisable for securities having the right to vote with the stockholders of Holdco on any matter. There are no voting trusts, stockholders' agreements or other agreements or understandings with respect to the voting of Holdco capital stock.

(b) *Syborg.* As of the date hereof, Holdco holds a partnership interest in Syborg with a capital interest (*fester Kapitalanteil*) in the amount of Euro 53,900 and Grundbesitz holds a partnership interest in Syborg with a capital interest (*fester Kapitalanteil*) in the amount of Euro 100. Other than those two partnership interests, no other partnership interests in Syborg exist. There are no options, warrants, convertible or exchangeable securities or other rights (including pre-emptive, tag-along, right of first refusal, buy-sell, repurchase, redemption, registration or similar rights), agreements, arrangements or commitments of any character to which Syborg, Holdco, Grundbesitz or Comverse is a party relating to the capital interest of Syborg or obligating or which could obligate Syborg to grant, issue or sell, or obligating or which could obligate Holdco, Grundbesitz or Comverse to sell, transfer or otherwise dispose of, any partnership interest of Syborg to any Person other than Holdco or Grundbesitz. Syborg has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote or that are convertible into or exercisable for securities having the right to vote with the partners of Syborg on any matter.

(c) *Grundbesitz.* As of the date hereof, the authorized capital stock of Grundbesitz amounts to Euro 25,000, represented by one share with the nominal amount of Euro 25,000, which is validly issued and fully paid and not held in the treasury of Grundbesitz. Other than the Grundbesitz Share held of record and owned beneficially by Holdco, no shares of the capital stock of Grundbesitz are issued or outstanding, or reserved for any purpose. There are no options,

warrants, convertible or exchangeable securities or other rights (including pre-emptive, tag-along, right of first refusal, buy-sell, repurchase, redemption, registration or similar rights), agreements, arrangements or commitments of any character to which Grundbesitz, Holdco or Comverse is a party relating to the issued or unissued capital stock of Grundbesitz or obligating or which could obligate Grundbesitz to grant, issue or sell, or obligating or which could obligate Holdco or Comverse to sell, transfer or otherwise dispose of, any shares of capital stock of Grundbesitz to any Person other than Holdco. Grundbesitz has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote or that are convertible into or exercisable for securities having the right to vote with the stockholders of Grundbesitz on any matter. There are no voting trusts, stockholders' agreements or other agreements or understandings with respect to the voting of Grundbesitz capital stock.

(d) *Loronix*. As of the date hereof, the authorized capital stock of Loronix consists of (i) 22,000,000 shares of common stock, par value $.01 per share of which 5,181,313 shares are issued and outstanding, all of which are validly issued, fully paid and nonassessable and none of which are held in the treasury of Loronix, and (ii) 2,000,000 shares of preferred stock, par value $.001 per share, no shares of which are outstanding. Other than the Loronix Shares being contributed hereunder to Infosys, no shares of the capital stock of Loronix are issued or outstanding, or reserved for any purpose. There are no options, warrants, convertible or exchangeable securities or other rights (including pre-emptive, tag-along, right of first refusal, buy-sell, repurchase, redemption, registration or similar rights), agreements, arrangements or commitments of any character to which Loronix or Comverse is a party relating to the issued or unissued capital stock of Loronix or obligating or which could obligate Loronix to grant, issue or sell, or obligating or which could obligate Comverse to sell, transfer or otherwise dispose of, any shares of capital stock of Loronix to any Person other than Infosys. Loronix has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote or that are convertible into or exercisable for securities having the right to vote with the stockholders of Loronix on any matter. There are no voting trusts, stockholders' agreements or other agreements or understandings with respect to the voting of Loronix capital stock.

3.4 *Ownership of Transaction Shares.* (a) Comverse holds of record and owns beneficially all of the Transaction Shares, free and clear of any Encumbrances (other than any restrictions under the Securities Act and state securities laws). The Transaction Shares have not been issued in violation of any pre-emptive rights created by statute, the certificate of incorporation, by-laws or other organizational document of Holdco or Loronix, as applicable, or any contract to which Holdco or Loronix is a party or by which it is bound.

(b) Holdco holds of record and owns beneficially the Syborg Interest and the Grundbesitz Share, in each case free and clear of any Encumbrances (other than any restrictions under the Securities Act and state securities laws). The Syborg Interest and the Grundbesitz Share have not been issued in violation of any pre-emptive rights created by statute, the certificate of incorporation, by-laws or other organizational document of Syborg or Grundbesitz, respectively, or any contract to which Syborg or Grundbesitz is a party or by which it is bound.

3.5 *No Conflicts.* The execution and delivery of this Agreement by Comverse does not, and the consummation by Comverse of the transactions contemplated hereby do not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or give rise to any obligation of any of the Acquired Companies to make any payment under, or to the increased, additional, accelerated or guaranteed rights or entitlements of any Person under, or result in the creation of any Encumbrances upon the Transaction Shares, the Syborg Interest or any of the properties or assets of any of the Acquired Companies under any provision of (i) the certificate of incorporation, bylaws or other organizational document of Comverse or any of the Acquired Companies, (ii) any contract or permit to which Comverse or any of the Acquired Companies is a party or by which Comverse's or any of the Acquired Companies' properties or assets are bound, (iii) any order, judgement or award of any court, governmental authority or arbitrator applicable to Comverse or any of the Acquired Companies or their respective properties or assets as of the date hereof, or (iv) any law or regulation applicable to Comverse or any of the Acquired Companies, except in the case of clauses (ii) and (iii), such conflicts, violations and defaults, termination, cancellation and acceleration rights and Encumbrances that, individually or in the aggregate, would not hinder or impair the consummation of the transactions contemplated hereby or have a material adverse effect with respect to Comverse or any of the Acquired Companies.

3.6 *Consents*. Except as described in Schedule 3.6 and except for any notices and consents of Third Parties that have been given or obtained, no consents, approvals, licenses, permits, orders or authorizations of, or registrations, declarations, notices or filings with, any governmental authority or

any Third Party are required to be obtained or made by or with respect to Comverse or any of the Acquired Companies in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, which, if not obtained or made, would, individually or in the aggregate, hinder or impair the consummation of the transactions contemplated hereby or have a material adverse effect with respect to Comverse or any of the Acquired Companies.

3.7 *Compliance; No Defaults.* Each of the Acquired Companies is in compliance in all material respects with all material laws and regulations applicable to its business or operations, and has not received any notice or been charged with any violation of or, to its knowledge, is under investigation with respect to compliance with, any material applicable laws and regulations. Each of the Acquired Companies has all permits which are material to the operation of its business as conducted on the date hereof. Each of the Acquired Companies is not in default or violation (and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation) of any term, condition or provision of its certificate of incorporation or bylaws or other comparable organizational document. Each of the Acquired Companies is not in default or violation (and no event has occurred which, with notice or the lapse of time or both, would constitute a default or violation) in any material respect of any term, condition or provision of any material permit issued to it, or to which its business is subject or by which its properties or assets are bound.

3.8 *Financial Statements; Undisclosed Liabilities.* (a) Comverse has delivered to Infosys copies of the unaudited balance sheets for each of the Acquired Companies as at January 31, 2001, and the related unaudited statements of income and retained earnings and cash flows for each of the Acquired Companies for the fiscal year then ended (such statements, including the related notes and schedules thereto, are referred to herein as the "*Financial Statements*"). The Financial Statements of Loronix are complete and correct in all material respects, have been prepared in accordance with GAAP consistently applied throughout the periods presented, and present fairly the financial position, results of operations, cash flows and stockholders' equity of Loronix as at the dates and for the periods indicated. The Financial Statements of each of Holdco, Syborg and Grundbesitz are complete and correct in all material respects, have been prepared in accordance with the German commercial code (*Handelsgesetzbuch*) consistently applied through the periods presented, and present fairly the financial position, results of operations, cash flows and stockholders' equity of each of Holdco, Syborg and Grundbesitz as at the dates and for the periods indicated.

(b) Except as disclosed in the Financial Statements, or incurred in the Ordinary Course of Business since January 31, 2001 as of the date hereof each of the Acquired Companies does not have any material Indebtedness, obligation or Liability of any kind.

3.9 *Litigation.* There are no Legal Proceedings against or affecting any of the Acquired Companies or its properties or assets pending or, to the knowledge of Comverse, threatened against any of the Acquired Companies.

3.10 *Taxes.* The Acquired Companies have duly filed (or there have been filed on their behalf) all federal and material state, local and foreign income, franchise, excise, real and personal property and other Tax returns and reports (including those filed on a consolidated, combined or unitary basis) required to have been filed by them prior to the date hereof (taking into account extensions). All of the foregoing returns and reports are true and correct in all material respects, and the Acquired Companies have paid, or adequately reserved for, all Taxes required to be paid in respect of all periods covered by such returns and reports.

3.11 *Employee Benefits.*

(a) Comverse has delivered to Infosys a complete and correct list of all "employee benefit plans," as defined in Section 3(3) of ERISA, and all other employee benefit plans or other benefit arrangements, including but not limited to all employment and consulting agreements and all disability,

severance, retention, vacation, company awards, salary continuation, sick leave, retirement, deferred compensation, bonus or other incentive compensation, stock and stock-related award, stock purchase, stock option or other equity-based compensation, hospitalization, medical insurance, life insurance, workers' compensation and educational assistance agreements, plans, policies and arrangements to which any of the Acquired Companies or any of its ERISA Affiliates has any obligation to or liability for (contingent or otherwise) in respect of current or former employees or directors ("*Benefit Plans*"). None of the Benefit Plans is subject to Title IV of ERISA.

(b) Each of the Benefit Plans and its related trust intended to qualify under Sections 401(a) and 501(a) of the Code, respectively, have been determined by the IRS to be so "qualified" under such Sections, and nothing has occurred with respect to the operation of any such plan which could reasonably be expected to cause the loss of such qualification or exemption or the imposition of any material liability, penalty or tax under ERISA or the Code.

(c) All contributions and premiums required to be made by law or by the terms of any Benefit Plan or any agreement relating thereto have been timely made (without regard to any waivers granted with respect thereto).

(d) True, correct and complete copies of the following documents (if applicable), with respect to each of the Benefit Plans, have been delivered to Infosys: (i) the most recent plan document and related trust documents, and all amendments thereto, (ii) the Form 5500 and attached schedules filed with the IRS for the past three years, (iii) the financial statements and actuarial valuations for the past three years, (iv) the most recent IRS determination letter, (v) the most recent summary plan description and all related summaries of material modifications, and (vi) a description of any non-written Benefit Plan.

(e) There are no Legal Proceedings pending or, to the knowledge of Comverse, threatened in respect of or relating to any Benefit Plan (other than routine, uncontested benefit claims).

(f) Each of the Benefit Plans complies in all material respects, and Comverse has administered and operated each of the Benefit Plans in material compliance with, its terms and all provisions of applicable laws and regulations.

(g) With respect to each Benefit Plan that is not subject to United States Law (a "*Foreign Benefit Plan*"): (i) all employer and employee contributions to each Foreign Benefit Plan required by law or by the terms of such Foreign Benefit Plan have been made, or, if applicable, accrued in accordance with normal accounting practices; (ii) the fair market value of the assets of each funded Foreign Benefit Plan funded through insurance or the book reserve established for any Foreign Benefit Plan, together with any accrued contributions is sufficient to procure or provide for the accrued benefit obligations, as of the Closing, with respect to all current or former participants in such plan in accordance with the actuarial assumptions and valuations most recently used to determine employer contributions to such plan; (iii) each Foreign Benefit Plan required to be registered has been registered and has been maintained in good standing with applicable regulatory authorities.

3.12 *Environmental Matters.* To the knowledge of Comverse, (i) each of the Acquired Companies possess all permits, authorizations, and approvals required by Environmental Laws for their operations (collectively, "*Environmental Permits*"), and (ii) each of the Acquired Companies is in material compliance with all Environmental Laws and Environmental Permits, except for non-compliance that could not reasonably be expected to have, individually or in the aggregate, a material adverse effect on such Acquired Company. There are no claims or Legal Proceedings pending or, to the knowledge of Comverse, threatened against any of the Acquired Companies alleging the violation of or non-compliance with Environmental Laws that could reasonably be expected to have, individually or in the aggregate, a material adverse effect on such Acquired Company. Comverse is not aware of any

facts, circumstances or conditions that could result in any of the Acquired Companies incurring material liabilities under Environmental Laws.

3.13 *Labor; Personnel.* (a) Each of the Acquired Companies is not a party to any labor or collective bargaining agreement and there are no labor or collective bargaining agreements that pertain to their employees. No labor organization or group of employees of any of the Acquired Companies has made a pending demand for recognition, and within the preceding three years, there have been no representation or certification proceedings, or petitions seeking a representation proceeding, pending or, to the knowledge of Comverse, threatened to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority with respect to any of the Acquired Companies.

(b) There are no (i) strikes, work stoppages, slowdowns, lockouts, arbitrations or material grievances or other labor disputes pending or, to the knowledge of Comverse, threatened against or involving any of the Acquired Companies or (ii) unfair labor practice charges, grievances or complaints pending or, to the knowledge of Comverse, threatened by or on behalf of any employee or group of employees of any of the Acquired Companies.

(c) Hours worked by and payments made to employees of any of the Acquired Companies have not been in material violation of the Federal Fair Labor Standards Act or any other applicable laws and regulations dealing with such matters.

(d) Each of the Acquired Companies is in compliance in all material respects with all applicable Laws relating to equal opportunity/non-discrimination in employment or termination of employment of labor (including leased workers and independent contractors), including all such applicable laws and regulations relating to wages, hours, collective bargaining, employment discrimination, civil rights, safety and health, workers' compensation, pay equity and the collection and payment of withholding and/or social security taxes and similar Taxes.

3.14 *Absence of Changes or Events.* Except as disclosed in the Financial Statements, since January 31, 2001 there has not been any event, change, occurrence or circumstance other than in the Ordinary Course of Business or that has had or could reasonably be expected to have, individually or in the aggregate, a material adverse effect on any of the Acquired Companies. Without limiting the generality of the foregoing, since that date:

(a) no Person has accelerated, terminated, modified, or canceled any contract to which any of the Acquired Companies is a party or by which it is bound either involving more than $250,000 or other than in the Ordinary Course of Business;

(b) none of the Acquired Companies has canceled, compromised, waived or released any right or claim (or series of related rights and claims) other than in the Ordinary Course of Business;

(c) none of the Acquired Companies has experienced any material damage, destruction or loss (whether or not covered by insurance) to its property; and

(d) none of the Acquired Companies has entered into any legal obligation, whether written or oral, to do any of the foregoing.

3.15 *Contracts.* Comverse has delivered to Infosys a correct and complete copy of each written contract of each of the Acquired Companies. Each of the Acquired Companies is not, and has not received written (including by electronic mail) notice that any other party is, in default or violation in any material respect of any term, condition or provision of any material contract to which it is a party, to which its business is subject or by which its properties or assets are bound, and no event has occurred which, with notice or the lapse of time or both, would constitute such a default or violation by any of the Acquired Companies or would permit the termination, modification or acceleration of such contract.

3.16 *Real Property.* (a) None of the Acquired Companies owns any real property except that (i) Grundbesitz owns the land and buildings registered in the land register (*Grundbuch*) of Oberbexbach, volume 88, page 4084 A as parcel of land (*Flur*) 03 number 540/32 and no liens or encumbrances exist except as registered in the land register, and (ii) Loronix owns the facility located at 820 Airport Road in Durango, Colorado (collectively, the "*Owned Real Property*"). To the knowledge of Comverse, each Acquired Company owning Owned Real Property has good and marketable title to its Owned Real Property free and clear of any liens and encumbrances, except (i) such as set forth above, (ii) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the Ordinary Course of Business, (ii) liens for real property taxes, assessments and other governmental charges which are not due and payable or which may thereafter be paid without penalty, and (iii) other imperfections of title, liens or encumbrances which do not materially detract from the value of the Owned Real Property subject thereto and do not materially impair the present use of such Owned Real Property.

(b) Comverse has delivered to Infosys correct and complete copies of the leases and subleases to which any of the Acquired Companies is a party. Each such lease and sublease is legal, valid, binding, enforceable, and in full force and effect. No consent is required with respect to such lease or sublease as a result of this Agreement, and the actions contemplated by this Agreement will not result in the change of any terms of any lease or sublease or otherwise affect the ongoing validity of such lease or sublease.

3.17 *Intellectual Property.*

(a) Each of the Acquired Companies is the sole and exclusive owner of, or has valid and continuing rights to use, sell and license, as the case may be, all Intellectual Property, Technology and Products (the "*Intellectual Property Rights*") used, sold or licensed by such company in its business as presently conducted and as currently proposed to be conducted, free and clear of all Encumbrances or obligations to others (except for the license terms of any commercial off-the-shelf Software and any licenses of Intellectual Property, Technology and Products).

(b) The manufacturing, licensing, marketing, importation, offer for sale, sale or use of its Products in connection with its business as presently and as currently proposed to be conducted, to the knowledge of Comverse, do not infringe, constitute an unauthorized use of, or violate any Intellectual Property right of any Person. The Intellectual Property owned by or licensed to each of the Acquired Companies includes all of the Intellectual Property necessary to enable such company to conduct its business in the manner in which such business is currently being conducted.

(c) Except with respect to licenses of commercial off-the-shelf Software, none of the Acquired Companies is required, obligated, or under any liability whatsoever, to make any payments by way of royalties, fees or otherwise to any owner or licensor of, or other claimant to, any Intellectual Property, with respect to the use thereof or in connection with the conduct of its business as currently conducted.

(d) To the knowledge of Comverse, none of the Acquired Companies has entered into any covenant not to compete or contract limiting its ability to exploit fully any of its Intellectual Property or to transact business in any market or geographical area or with any Person.

(e) Each of the Acquired Companies has taken adequate security measures to protect the secrecy and confidentiality of all the confidential Intellectual Property and Technology, which measures are reasonable in the industry in which such Acquired Company operates.

(f) None of the Acquired Companies as of the date hereof is the subject of any pending or, to the knowledge of Comverse, threatened Legal Proceedings which involve a claim of infringement of, unauthorized use of, or violation of any Intellectual Property of any Person or challenging the ownership, use, validity or enforceability of any material Intellectual Property Rights, and none of the

Acquired Companies has received written (including by electronic mail) notice of any such threatened claim.

(g) To the knowledge of Comverse, no Person is infringing, violating, misusing or misappropriating any material Intellectual Property Rights of any of the Acquired Companies, and no such claims have been made against any Person by any of the Acquired Companies.

(h) There are no orders, judgements or awards to which any of the Acquired Companies is a party or by which any of the Acquired Companies are bound which restrict, in any material respect, such company's right to use any of its Intellectual Property Rights.

(i) To the knowledge of Comverse, no present or former employee of any of the Acquired Companies has any right, title, or interest, directly or indirectly, in whole or in part, in any material Intellectual Property Rights owned or used by any of the Acquired Companies.

3.18 *Tangible Assets.* Each of the Acquired Companies owns or has valid leases for all machinery, equipment, and other tangible assets used in the conduct of its business as presently conducted. Each such tangible asset is free from all material defects, has been maintained in accordance with normal industry practice, and is in good operating condition and repair (subject to normal wear and tear). The tangible assets owned or leased by each of the Acquired Companies are sufficient to conduct such company's business as it is currently being conducted.

3.19 *Notes and Accounts Receivable.* All notes and accounts receivable of each of the Acquired Companies are reflected properly on its books and records, are valid receivables that have arisen in the Ordinary Course of Business, and are current and collectible in accordance with their terms at their recorded amounts, except for any reserves for bad debts set forth on the balance sheets included in the Financial Statements as adjusted for the passage of time through date hereof, provided that no representation or warranty is made herein that such notes and accounts receivable will be collected.

3.20 *Powers of Attorney; Bank Accounts.* There are no outstanding powers of attorney executed on behalf of any of the Acquired Companies. Comverse has delivered to Infosys a list of all existing bank accounts for each of the Acquired Companies.

3.21 *Investment Representation.* Comverse understands that the Infosys Shares have not been registered under the Securities Act, and that the Infosys Shares are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon Comverse's representations contained in this Agreement. Comverse has substantial experience in evaluating and investing in securities of companies similar to Infosys, and it is capable of evaluating the merits and risks associated with its investment in the Infosys Shares and has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement. Comverse is acquiring the Infosys Shares for its own account for investment only, and not with a view towards distribution. Comverse is an accredited investor within the meaning of Regulation D under the Securities Act.

Except as expressly set forth in this Article III, Comverse makes no other representations or warranties, express or implied, to Infosys in connection with this Agreement.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF INFOSYS

Infosys makes the following representations and warranties to Comverse:

4.1 *Corporate Existence.* Infosys is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with all requisite power to enable it to own, lease and operate its assets and properties and to conduct its business as currently being conducted, and is qualified and in good standing to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties owned or leased by it requires such

qualification, except where the failure to be so qualified and in good standing does not and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Infosys.

4.2 *Corporate Power; Authorization; Enforceable Obligations.* Infosys has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Infosys. This Agreement has been duly executed and delivered by Infosys and constitutes the legal, valid and binding obligation of Infosys and is enforceable against Infosys, in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general principles of equity.

4.3 *Capitalization.* As of the date hereof, the authorized capital stock of Infosys consists of 300,000,000 shares of common stock, of which, 61,198,095 shares are issued and outstanding, all of which are validly issued, fully paid and nonassessable and none of which are held in the treasury of Infosys. Other than as described in this Section 4.3 and except for the Infosys Stock Option Plan, no shares of the capital stock of Infosys are, issued or outstanding, or reserved for any purpose. There are no options, warrants, convertible or exchangeable securities or other rights (including pre-emptive, tag-along, right of first refusal, buy-sell, repurchase, redemption, registration or similar rights), agreements, arrangements or commitments of any character to which Infosys is a party relating to the issued or unissued capital stock of Infosys or obligating or which could obligate Infosys to grant, issue or sell any shares of capital stock of Infosys. Infosys has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote or that are convertible into or exercisable for securities having the right to vote with the stockholders of Infosys on any matter.

4.4 *Infosys Shares.* The Infosys Shares issued to Comverse hereunder are duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights created by statute, Infosys' certificate of incorporation or bylaws or any contract to which Infosys is a party or by which Infosys is bound.

4.5 *No Conflicts.* The execution and delivery of this Agreement by Infosys does not, and the consummation by Infosys of the transactions contemplated hereby do not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or give rise to any obligation of Infosys to make any payment under, or to the increased, additional, accelerated or guaranteed rights or entitlements of any Person under, or result in the creation of any Encumbrances upon any of the

properties or assets of Infosys under, any provision of (i) the certificate of incorporation and bylaws of Infosys, (ii) any contract or permit to which Infosys is a party or by which any of its properties or assets are bound, (iii) any order, judgement or award of any court, governmental authority or arbitrator applicable to Infosys or its properties or assets as of the date hereof, or (iv) any law or regulation applicable to Infosys, except in the case of clauses (ii) and (iii), such conflicts, violations and defaults, termination, cancellation and acceleration rights and entitlements and Encumbrances that, individually or in the aggregate, would not hinder or impair the consummation of the transactions contemplated hereby or have a material adverse effect with respect to Infosys.

4.6 *Consents.* No consents, approvals, licenses, permits, orders or authorizations of, or registrations, declarations, notices or filings with, any governmental authority or any Third Party are required to be obtained or made by or with respect to Infosys in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby which, if not obtained or made, would, individually or in the aggregate, hinder or impair the consummation of the transactions contemplated hereby or have a material adverse effect with respect to Infosys

4.7 *Investment Representations.* Infosys understands that the Transaction Shares have not been registered under the Securities Act, and that the Transaction Shares are being offered and sold pursuant to an exemption from registration based in part upon Infosys' representations contained in the Agreement. Infosys has substantial experience in evaluating and investing in securities of companies similar to Holdco and Loronix, and it is capable of evaluating the merits and risks associated with its acquisition of the Transaction Shares and has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement. Infosys is acquiring the Transaction Shares for its own account for investment only, and not with a view towards distribution. Infosys is an accredited investor within the meaning of Regulation D under the Securities Act.

Except as expressly set forth in this Article IV, Infosys makes no other representations or warranties, express or implied, to Comverse in connection with this Agreement.

ARTICLE V
INDEMNIFICATION

5.1 *Survival of Representations and Warranties.* The representations and warranties set forth in this Agreement shall survive the Closing until the close of business on the first anniversary of the date hereof; *provided, however,* that the representations and warranties set forth in Sections 3.3, 3.4, 4.3, and 4.4 shall survive the Closing indefinitely; *provided, however,* that if notice of any claim for indemnification is given before expiration of such period, then notwithstanding the expiration of such time period, the representation and warranty applicable to such claim shall survive until, but only for purposes of, the resolution of such claim. Except with respect to claims based on fraud or intentional or deliberate misrepresentation, from and after the date hereof the rights of the parties under this Article V shall be the exclusive remedy of the parties with respect to claims resulting from or relating to any representation, warranty, covenant or agreement contained in this Agreement. The representations and warranties made herein by any party shall not be affected by any examination made for or on behalf of the other party or the knowledge of any of the other party's officers, directors, employees or agents.

5.2 *Indemnification.* (a) Subject to the provisions of Section 5.4, Comverse shall indemnify Infosys and its directors, officers, employees, agents, successors and assigns (each, an "*Infosys Indemnitee*", and collectively, the "*Infosys Indemnitees*") in respect of, and hold the Infosys Indemnitees harmless against, any and all damages, liabilities, judgements, fines, fees, penalties, interest obligations, deficiencies, losses and expenses, including amounts paid in settlement, interest, court costs, reasonable costs of investigation, reasonable fees and expenses of attorneys, accountants, financial advisors, engineers and other expenses, and other expenses of litigation (collectively, "*Damages*") incurred or suffered by the Infosys Indemnitees arising out of or resulting from (i) the untruth, inaccuracy or breach of any representation or warranty of Comverse contained in this Agreement, or (ii) any breach, nonfulfillment or failure to perform any agreement or covenant of Comverse contained in this Agreement.

(b) Subject to the provisions of Section 5.5, Infosys shall indemnify Comverse and its directors, officers, employees, agents, successors and assigns (each a "*Comverse Indemnitee*", and collectively the "*Comverse Indemnitees*") in respect of, and hold the Comverse Indemnitees harmless against any and all Damages incurred or suffered by the Comverse Indemnitees arising out of or resulting from (i) the untruth, inaccuracy or breach of any representation or warranty of Infosys contained in this Agreement or (ii) any breach, nonfulfillment or failure to perform any agreement or covenant of Infosys contained in this Agreement.

5.3 *Indemnification Procedures.*

(a) *Third Party Claims.* If Infosys, on behalf of any Infosys Indemnitee, or Comverse, on behalf of any Comverse Indemnitee, seeks to be indemnified pursuant to this Article V (in each case, an

"*Indemnified Party*"), it shall give prompt written notification to the party against whom indemnification is sought (the "*Indemnifying Party*") of the assertion of any Third Party claim or commencement of any action, suit or proceeding relating to a Third Party claim for which indemnification pursuant to this Article V may be sought, but the failure of an Indemnified Party to give prompt notice to the Indemnifying Party shall not affect the rights of the Indemnified Party to indemnification hereunder, except (i) as provided in Section 5.1 above and (ii) if (and then only to the extent that) the Indemnifying Party incurs additional expenses or the Indemnifying Party is actually prejudiced by reason of such failure to give timely notice. The Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such claim, action, suit or proceeding with counsel reasonably satisfactory to the Indemnified Party, *provided* that the Indemnifying Party acknowledges in writing, and in form and substance acceptable, to the Indemnified Party that any damages, fines, costs, judgements or other liabilities that may be assessed against the Indemnitee in connection with such action, suit or proceeding constitute Damages for which the Indemnified Party shall be entitled to indemnification pursuant to this Article V; and *provided, further,* that (x) Infosys shall have the right to control the defense to the extent of any claim or demand seeking equitable relief or remedial action on the part of an Infosys Indemnitee and (y) Comverse shall have the right to control the defense to the extent of any claim or demand seeking equitable relief or remedial action on the part of a Comverse Indemnitee. If the Indemnifying Party does not so assume control of such defense, the Indemnified Party shall control such defense. The party not controlling such defense may participate therein at its own expense; *provided* that if the Indemnifying Party assumes control of such defense and the Indemnified Party reasonably concludes that the Indemnifying Party and the Indemnified Party have a conflict of interest or different defenses available with respect to such action, suit or proceeding, the reasonable fees and expenses of counsel to the Indemnified Party shall be considered "Damages" for purposes of this Agreement. The party controlling such

defense shall keep the other party advised of the status of such action, suit or proceeding and the defense thereof and shall consider in good faith recommendations made by the other party with respect thereto. The Indemnified Party shall not agree to any settlement of such claim, action, suit or proceeding without the prior written consent of the Indemnifying Party. The Indemnifying Party shall not agree to any settlement of such action, suit or proceeding without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld.

(b) *Direct Claims.* With respect to claims other than Third Party claims, the Indemnified Party shall use reasonable efforts promptly to notify in writing the Indemnifying Party of such claims, but the failure of the Indemnified Party so to give notice to the Indemnifying Party shall not affect the rights of the Indemnified Party to indemnification hereunder, except (i) as provided in Section 5.1 above and (ii) if (and then only to the extent that) the Indemnifying Party incurs additional expenses or the Indemnifying Party is actually prejudiced by reason of such failure to give timely notice.

5.4 *Limitation on Comverse's Liability.* (a) Notwithstanding anything to the contrary contained herein, (i) with respect to claims based on the untruth, inaccuracy or breach of any representation or warranty of Comverse contained in this Agreement, Comverse shall not be liable under Section 5.2 hereof, until the aggregate amount of all Damages incurred or suffered with respect to all such claims hereunder exceeds $250,000, and then only to the extent that such Damages exceed that amount, and (ii) the liability of Comverse for all claims made under this Article V shall not exceed $10,000,000 in the aggregate; *provided, however,* that the liability of Comverse with respect to the untruth, inaccuracy or breach of any representation or warranty of Comverse set forth in Sections 3.3 and 3.4 hereof shall be limited to $58,372,439 in the aggregate.

(b) Any claim made against Comverse under this Article V may, at Comverse's election, be satisfied either in cash and/or by Comverse surrendering to Infosys such number of Infosys Shares having a value equal in the aggregate to the final amount of such claim that is not satisfied in cash, in full satisfaction of such claim. The value of such Infosys Shares shall equal to $1.69 per share (subject

to adjustment for any stock split, stock dividend, stock consolidation or other recapitalization occurring after the date hereof).

5.5 *Limitation on Infosys' Liability.* (a) Notwithstanding anything to the contrary contained herein, (i) with respect to claims based on the untruth, inaccuracy or breach of any representation and warranty of Infosys contained in this Agreement, Infosys shall not be liable under Section 5.2 until the aggregate amount of all Damages incurred or suffered with respect to all such claims made by the Comverse Indemnitees hereunder exceeds $250,000, and then only to the extent that such Damages exceed that amount, and (ii) the liability of Infosys for all claims made under this Article V shall not exceed $10,000,000 in the aggregate; *provided, however,* that the liability of Infosys with respect to the untruth, inaccuracy or breach of any representation or warranty of Infosys set forth in Sections 4.3 and 4.4 hereof shall be limited to $58,372,439 in the aggregate.

(b) Any claim made against Infosys under this Article V may, at Infosys' election, be satisfied either in cash and/or by Infosys issuing to Comverse such number of Infosys Shares having a value equal in the aggregate to the final amount of such claim that is not satisfied in cash, in full satisfaction of such claim. The value of such Infosys Shares shall equal to $1.69 per share (subject to adjustment for any stock split, stock dividend, stock consolidation or other recapitalization occurring after the date hereof).

ARTICLE VI
GENERAL PROVISIONS

6.1 *Voting of Shares, and Conduct of Business, of Holdco, Syborg and Grundbesitz.* From the date hereof until the transfer of the Holdco Share from Comverse to Infosys is completed in the manner contemplated in Section 2.2, Comverse shall (i) vote the Holdco Share, and cause Holdco to vote the Syborg Interest and the Grundbesitz Share, only in accordance with the written instructions of Infosys, (ii) upon the request of Infosys, deliver to Infosys an irrevocable proxy appointing Infosys as its exclusive proxy to vote the Holdco Share, and cause Holdco to deliver to Infosys irrevocable proxies appointing Infosys as its exclusive proxy to vote the Syborg Interest and the Grunbesitz Share, in the sole and absolute discretion of Infosys, and (iii) cause each of Holdco, Syborg and Grundbesitz to carry its business only in accordance with the direction and management of Infosys.

6.2 *Further Assurances.* Each of the parties hereto shall execute such documents and other instruments and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and consummate and evidence the transactions contemplated hereby or, at and after the date hereof, to evidence the consummation of the transactions contemplated by this Agreement. Upon the terms and subject to the conditions hereof, each of the parties hereto shall take or cause to be taken all actions and to do or cause to be done all other things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings.

6.3 *Announcements.* Neither Comverse nor Infosys will issue any press release or otherwise make any public statement with respect to this Agreement and the transactions contemplated hereby without the prior written consent of the other, except as may be required by any law or regulation (including, without limitation, pursuant to the Federal securities laws) or rules of the NASDAQ National Market, in which event the party required to make the release or announcement shall allow the other party reasonable time, in light of the circumstances, to comment on such release or announcement in advance of such issuance.

6.4 *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without reference to choice of law principles, including all matters of construction, validity and performance.

6.5 *Notices.* All notices, requests, permissions, waivers, and other communications hereunder shall be in writing and shall be deemed to have been duly given, (a) five Business Days following sending by registered or certified mail, postage prepaid, (b) when sent if sent by facsimile during the normal business hours of the recipient, or one Business Day after the date sent if sent by facsimile after the normal business hours of the recipient; *provided* that the sending party receives written confirmation that the facsimile has been successfully transmitted to the intended recipient, (c) when delivered, if delivered personally to the

intended recipient and (d) one Business Day following sending by overnight delivery via a national courier service, and in each case, addressed to a party at the following address for such party:

(i) If to Comverse, to:

Comverse Technology, Inc.
909 Third Avenue
New York, New York 10022
Attention: General Counsel
Facsimile No.: (212) 652-6815

(ii) If to Infosys, to:

Comverse Infosys, Inc.
170 Crossways Park Drive
Woodbury, New York 11797
Attention: Secretary
Facsimile No.: (516) 677-7399

Such names and addresses may be changed by notice given in accordance with this Section 6.5.

6.6 *Entire Agreement.* This Agreement (including the Schedules attached hereto, all of which are a part hereof) contain the entire understanding of the parties hereto and thereto with respect to the subject matter contained herein and therein, supersede and cancel all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, respecting such subject matter. There are no restrictions, promises, representations, warranties, agreements or undertakings of any party hereto with respect to the transactions contemplated by this Agreement other than those set forth herein.

6.7 *Headings; References.* The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All references herein to "Articles" or "Sections" shall be deemed to be references to Articles or Sections hereof unless otherwise indicated.

6.8 *Counterparts.* This Agreement may be executed in multiple counterparts and each counterpart shall be deemed to be an original, but all of which shall constitute one and the same original.

6.9 *Parties in Interest; Assignment.* Neither this Agreement nor any of the rights, interest or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other party. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Except as set forth in Article V, nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies under or by reason of this Agreement.

6.10 *Severability; Enforcement.* The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, each party agrees that a court of competent jurisdiction may enforce such restriction to the maximum extent permitted by law, and each

party hereby consents and agrees that such scope may be judicially modified accordingly in any proceeding brought to enforce such restriction.

6.11 *Specific Performance.* The parties hereto agree that the remedy at law for any breach of this Agreement will be inadequate and that any party by whom this Agreement is enforceable shall be entitled to specific performance in addition to any other appropriate relief or remedy. Such party may, in its sole discretion, apply to a court of competent jurisdiction for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law, each party waives any objection to the imposition of such relief.

6.12 *Jurisdiction.* Each party to this Agreement hereby irrevocably agrees that any legal action, suit or proceeding arising out of or relating to this Agreement, shall be brought in the United States District Court for the Southern District of New York or the Supreme Court of the State of New York and each party hereto agrees not to assert, by way of motion, as a defense or otherwise, in any such action, suit or proceeding any claim that it is not subject personally to the jurisdiction of such court, that the action, suit or proceeding is brought in an inconvenient forum, that the venue of the action, suit or proceeding is improper or that this Agreement, or the subject matter hereof or thereof may not be enforced in or by such court. Each party hereto further and irrevocably submits to the jurisdiction of such court in any action, suit or proceeding.

6.13 *Waiver.* Failure at any time to enforce or require performance of any of the provisions hereof shall in no way be construed to be a waiver of such provision or to affect the validity of this Agreement or any part thereof or the right of either party thereafter to enforce each provision in accordance with the terms of this Agreement.

6.14 *Broker Fees.* Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this Section 6.14 being untrue.

6.15 *Expenses.* The parties shall each bear their own expenses incurred in connection with the negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby, it being understood that in no event shall any of the Acquired Companies bear any of such costs and expenses.

6.16 *Employee Benefits*. Following the Closing, Infosys shall, to the extent applicable, continue and maintain the Benefit Plans applicable to the Acquired Companies' employees in effect immediately prior to the Closing.

6.17 *Taxes*. Comverse and Infosys intend that the contribution of the Transaction Shares to Infosys in exchange for the Infosys Shares qualify as a tax-free exchange pursuant to Section 351(a) of the Code and neither the Company nor Infosys will take any action or position inconsistent with such intention.

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

COMVERSE TECHNOLOGY, INC.

By: /s/ KOBI ALEXANDER

Name: Kobi Alexander
Title: Chairman and Chief Executive Officer

COMVERSE INFOSYS, INC.

By: /s/ DAN BODNER

Name: Dan Bodner
Title: President and Chief Executive Officer

Exhibit 2.2

Deed of Transfer

Nr. . . . . der Urkundenrolle 2001
Verhandelt
in Hamburg
am [ ] 2001
Vor mir,
dem unterzeichneten Notar in der Freien
und Hansestadt Hamburg Detlef
Lichtenauer
mit Amtssitz in 21073 Hamburg,
Lüneburger Tor 4,

erschienen heute

Convenience Translation
No. . . . . of the Notarial Deed 2001
Done in Hamburg
this [ ] 2001

Before me,
the Notary Detlef Lichtenauer of Hamburg
with office at 21073 Hamburg, Lüneburger
Tor 4,

appeared today

[ ], sich ausweisend durch Vorlage seines gültigen Personalausweises Nr. [ ], handelnd nicht im eigenen Namen, sondern

1. aufgrund Vollmacht vom [ ] für Comverse Technology Inc., einer nach dem Recht des US-Bundesstaates New York gegründeten Gesellschaft mit Sitz in New York (im folgenden als die "Abtretende" bezeichnet), und
2. aufgrund Vollmacht vom [ ] für Comverse Infosys, Inc., einer nach dem Recht des US-Bundesstaates Delaware gegründeten Gesellschaft mit Sitz in [ ] (im folgenden als die "Erwerberin" bezeichnet),

Der Erschienene erklärt folgendes zu Protokoll:

[ ], proving his identity by presentation of his valid Identity Card, No. [ ], acting not in his own name and on his own behalf, but

1. by virtue of a power of attorney dated [ ] in the name and on behalf of Comverse Technology, Inc., a New York corporation with its seat in the Federal State of New York (hereinafter the "Transferor"), and
2. by virtue of a power of attorney dated [ ] in the name and on behalf of Comverse Infosys, Inc., a Delaware corporation with its seat in [ ] (hereinafter the "Transferee").

The person appeared declared to my record the following:

ANTEILSABTRETUNGS-VEREINBARUNG

Vorbemerkung

Die Abtretende ist mit einem Geschäftsanteil im Nominalbetrag von Euro 25.000 (in Worten fünfundzwanzig tausend Euro) alleinige Gesellschafterin der Comverse GmbH (im folgenden als "Gesellschaft" bezeichnet), eingetragen im Handelsregister des Amtsgerichts Homburg/ Saar unter der Registernummer HR B 3829. Das Stammkapital der Gesellschaft war und ist voll eingezahlt.

SHARE TRANSFER AGREEMENT

Preamble

The Transferor is the sole shareholder with a share in the nominal amount of Euro 25,000 (in words twenty five thousand Euro) of Comverse GmbH (hereinafter the "Company"), registered in the commercial register of the local court of Homburg/ Saar under HR B 3829. The share capital of the Company was and is fully paid in.

Mit einem nach dem Recht des US-Bundesstaates New York geschlossenen Einbringungsvertrag vom [7. Februar 2001] (im folgenden als der "Einbringungsvertrag" bezeichnet) haben sich die Abtretende und die

By a contribution agreement entered into under the law of the state of New York dated [1 February 2001] (hereinafter the "Contribution Agreement"), the Transferee and the Transferor agreed that the Transferee will assign its

Erwerberin geeinigt, dass die Abtretende ihren gesamten Geschäftsanteil im Nominalbetrag von Euro 25.000 auf die Erwerberin übertragen wird. Die Parteien schliessen hierzu den folgenden Vertrag:

I.
Übertragung

1. Die Abtretende überträgt hiermit ihren gesamten Geschäftsanteil der Gesellschaft auf die Erwerberin. Die Abtretung des Geschäftsanteils soll ab dem 7. Februar 2001 wirtschaftlich wirksam werden und erfolgt jeweils mit dem Gewinnbezugsrecht ab dem 7. Februar 2001 für alle erwirtschafteten, aber noch nicht ausgeschütteten Gewinne der Gesellschaft. Die Abtretung erfolgt mit sofortiger dinglicher Wirkung.
2. Die Erwerberin nimmt die Abtretung hiermit an.

II.
Zustimmung

Die gemäß der Satzung der Gesellschaft erforderliche Zustimmung zur Anteilsübertragung der Gesellschafter ist hiermit erteilt.

III.
Schuldrechtlicher Vertrag

Die in Ziffer I.1. und I.2. erklärte Anteilsübertragung erfolgt in Erfüllung des Einbringungsvertrages.

IV.
Vollmachten und Salvatorische Klausel

Der Notar wird mit dem Vollzug dieser Vereinbarung beauftragt, insbesondere damit, der Gesellschaft und dem Handelsregister Anzeige von der Abtretung zu machen.

total share with the nominal share capital of Euro 25,000 to the Transferee. Therefor, the parties enter into the following agreement:

I.
Assignment

1. The Transferor hereby assigns its total share in the Company to the Transferee. The assignment shall have economic effect as of 1 February 2001 with the right to participate in the profits of the Company as of 1 February 2001 which have been earned, but not yet distributed. The assignment shall have immediate in rem ("dinglich") effect.
2. The Transferee agrees to the assignment.

II.
Consent

The consent of the shareholders required by the articles of association of the Company to the transfer of shares is herewith given.

III.
Obligatory Agreement

The assignment of shares described in clause I.1. and I.2. is made in compliance with the Contribution Agreement.

IV.
Power of Attorney and Severance Clause

The Notary is mandated with the completion of this agreement, he shall particularly notify the assignment to the Company and to the commercial register.

Sollten Bestimmungen dieser Urkunde unwirksam sein oder werden, so läßt dies die Wirksamkeit der Urkunde im übrigen unberührt. Im Wege der Auslegung, Umdeutung oder Ergänzung ist eine Regelung zu finden, die den mit der unwirksamen Bestimmung verfolgten wirtschaftlichen Zweck im Rahmen des gesetzlichen Zulässigen erreicht, oder ihm wenigstens so nah als möglich kommt. Dies gilt sinngemäß für die Schließung etwaiger Regelungslücken.

V.
Kosten

Die Kosten dieser Urkunde werden von der [ ] getragen.

Der Erschienene gab weiter an: Der Notar belehrte den Anwesenden, daß die Übertragung sämtlicher Geschäftsanteile an einer deutschen Gesellschaft, welche direkt oder indirekt Grundbesitz in Deutschland besitzt, Grunderwerbssteuer auslösen kann. Die deutsche Fassung dieses Vertrages ist maßgebend.
Dieses notarielle Protokoll wurde dem Erschienenen vorgelesen, von ihm genehmigt und eigenhändig von ihm und von mir, dem Notar, wie folgt unterschrieben:

In case any provisions of this deed shall not be or become valid, the remaining parts of the deed shall remain unaffected. By means of interpretation, reinterpretation or amendment a provision shall be found that follows the same economic purpose as the invalid provision or that approaches this purpose as far as possible. The same applies analogously in case any loophole in this agreement shall be closed.

V.
Cost

The costs of this deed shall be borne by the [ ].

The person appeared further stated: The notary has advised the parties that the transfer of all of the shares of a German company that directly or indirectly owns real estate in Germany may trigger real estate transfer tax. The German version of this agreement shall prevail.
This notarial deed was read aloud to the appeared, approved by him and personally signed by him and by me, the Notary, as follows:

Schedule 3.6

1. Holdco will be required to advise the commercial registrar at the local court in Germany about the change in ownership of the Holdco Share.

2. Since a real estate transfer tax will be payable with respect to certain lands owned by Grundbesitz, local real estate tax authorities will need to be informed of the transaction.

3. Syborg is a member of the Alliance for Security in Business (*Bündnis für Sicherheit der Wirtschaft)*. Since the members of the Alliance have agreed to inform the Alliance about changes in ownership, Syborg will need to provide such notification.

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Exhibit 10.6

ERP SOFTWARE SHARING AGREEMENT

Entered into this 31st day of January, 2002 by and among:

COMVERSE INFOSYS LTD., a company incorporated under the laws of the State of Israel with its offices at 23 Habarzel St., Tel-Aviv, Israel ("Infosys"); and

COMVERSE LTD., a company incorporated under the laws of the State of Israel, with its principal address at 29 Habarzel Street, Tel Aviv, Israel ("Comverse"); and

WHEREAS Comverse Technology, Inc. ("CTI") purchased from Oracle Israel Ltd. (the "Supplier") a license (the "License") to use and customize an ERP software known as the ERP Oracle Application (the "Software" respectively) as well as the applicable hardware, and is maintaining and operating the Software and the hardware (the "Hardware"); and

WHEREAS Comverse has been and is currently maintaining and operating the Software and the Hardware at its premises for the benefit and use of both Comverse and Infosys; and

WHEREAS each of Comverse and Infosys has been and is currently using and is entitled to continue to use the Software, including the customizations pursuant to the terms and conditions of the License; and

WHEREAS each of Comverse and Infosys is aware and acknowledges that the use of the Software and its on-going operation are of great importance to the other; and

WHEREAS the parties wish to set forth the terms of their respective rights and responsibilities to each other in connection with the continued use of the Software by each of the parties;

NOW THEREFORE, the parties entered into this agreement under the terms and conditions set forth hereafter:

1. License and maintenance

Each of Comverse and Infosys hereby represents and warrants to the other that each of them, respectively, is currently authorized under the terms of the License to use and to continue to use the Software installed at Comverse, including all the customizations, modules, functions incorporated therein and for the total aggregate number of concurrent users operating the Software as of the date of this Agreement. Each of Comverse and Infosys undertakes not to change the Software in any manner that may be detrimental to the other party or otherwise adversely impact its operations without obtaining the prior written consent of the other party.

Comverse shall be responsible to provide Infosys the same level of general administration and maintenance of the system (including back ups) it provides its own users, and for exerting its reasonable commercial efforts to arrange for ongoing operation, maintenance

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and support of the Software by the Supplier, all in consideration of the Fees set forth in Section 2 herein.

2. Consideration and payments

In consideration of the services set forth in Section 1 above, Infosys shall pay Comverse a quarterly fee of $25,000 (twenty five thousand USD) (the "Fees"), plus VAT, in respect of each fiscal quarter or part thereof during the term of this Agreement. The Fees shall be paid within thirty days of receipt of an invoice from Comverse after the end of each fiscal quarter. The Fees shall include Infosys' portion of the total annual license and maintenance fees paid to Supplier by Comverse with respect to the Software, including all updates and upgrades to be supplied by the Supplier pursuant to the License.

3. Entry into Effect-Duration

Subject to Section 6 hereof, this Agreement shall be effective as from February 1, 2002, and will be valid for a period of at least two years thereafter (the "Initial Term"). Following the Initial Term the Agreement shall be extended automatically for additional periods of one year each, unless terminated by either party providing prior written notice to the other party of at least six months prior to such termination, provided that such notice will not be given before the end of the Initial Term.

4. Proprietary Rights

Each of Comverse and Infosys acknowledges and agrees that it shall be bound by the terms of the License, and shall protect all proprietary rights in the Software.

5. Modifications

Subject to the terms of the License, each of Comverse and Infosys is entitled to create, at its own cost and expense from time to time and in accordance with its needs, certain modifications or amendments to the Software (the "Modifications"). Infosys shall provide Comverse with its Modifications and Comverse shall test them within a reasonable period of time. If the Infosys Modifications create a technical problem with the Software or materially impair or hamper Comverse's use or ability to use any of the Software or Hardware, Comverse shall so notify Infosys and Infosys shall fix such problems. If the Comverse Modifications create a technical problem with the Software or materially impair or hamper Infosys' use or ability to use any of the Software or Hardware, Infosys shall so notify Comverse and Comverse shall fix such problems. When there shall be no such problems with the Infosys Modifications or Comverse Modifications, as

applicable, Comverse shall implement or coordinate with the Supplier the implementation of such Modifications in the Software. The cost of the implementation of the Infosys Modifications shall be borne by Infosys. The cost of the implementation of the Comverse Modifications shall be borne by Comverse.

6. Independent Environment

At any time during the term of this Agreement, Infosys shall be entitled, in its sole discretion, to separate itself from Comverse's computer environment. In the event of such separation, subject to the terms of the License, Infosys shall be entitled to install a copy of the Software in its new computer environment and to use, operate and maintain the Software in the same manner and to the same extent (including the number of concurrent users as of the date of such separation) that the Software is used by Infosys immediately prior to such separation, and this Agreement shall be terminated effective upon completion of such separation. All out-of-pocket costs and expenses reasonably incurred by Comverse in connection with such separation or any proposal by Infosys to separate itself from Comverse's computer environment, shall be for Infosys' account.

7. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Israel.

IN WITNESS WHEREOF, the parties have instructed their duly authorized representatives to sign the present agreement.

COMVERSE LTD.	**COMVERSE INFOSYS LTD.**
By: /s/ David Kreinberg	By: /s/ Igal Nissim

Exhibit 10.7

SATELLITE SERVICES AGREEMENT

THIS SATELLITE SERVICES AGREEMENT (this "*Agreement*") is entered into as of this 31st day of January, 2002, by and between COMVERSE, INC., a Delaware corporation ("*Comverse*"), and COMVERSE INFOSYS, INC., a Delaware corporation ("*Purchaser*").

WITNESSETH

WHEREAS, Purchaser is interested in purchasing certain services from Comverse from and after the date hereof.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION 1
DEFINITIONS

1.1 *Definitions.* For the purposes of this Agreement, the following terms shall have the meanings set forth below:

"Agreement" shall mean this Agreement, including *Schedule A* attached hereto, as the same may be amended by the parties from time to time.

"Comverse" shall mean Comverse and any of its Subsidiaries that perform the Services.

"Person" shall include an individual, a partnership, a corporation, a limited liability company, a division or business unit of a corporation, a trust, an unincorporated organization, a federal, state, local or foreign government or any department or agency thereof and any other entity.

"Service" or "*Services*" shall mean those services described on Schedule A, as the same may be amended from time to time.

"Subsidiary" shall mean, with respect to any Person, (i) each corporation, partnership, joint venture or other legal entity of which such Person owns, either directly or indirectly, more than 50% 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 similar governing body of such corporation, partnership, joint venture or other legal entity, (ii) each partnership in which such Person or another Subsidiary of such Person is the general or managing partner or owns directly or indirectly more than a 50% interest, and (iii) each limited liability company in which such Person or another Subsidiary of such Person is the managing member or owns directly or indirectly more than a 50% interest.

SECTION 2
PROVISION OF SERVICES

2.1 *Provision of Services.* Comverse shall provide to Purchaser any or all of the Services listed and described on *Schedule A* and such other Services as may from time to time be agreed between the parties in writing and added to *Schedule A*. Each Service shall be provided for the fee set forth for such Service on *Schedule A* or as the parties may otherwise agree in writing. In every case, all of the Services shall be provided in accordance with the terms, limitations and conditions set forth herein and on *Schedule A.*

2.2 *Personnel.* Comverse shall furnish all personnel reasonably necessary to provide the Services.

2.3 *Facilities.* The Services shall be performed by Comverse at its offices using its furniture, fixtures, and equipment (including computer hardware) ("*Facilities*"). Any Facilities purchased or leased by Comverse during the term of this Agreement that are used in providing the Services shall be purchased or leased by Comverse. All Facilities owned by Comverse shall remain the property of Comverse, and Purchaser shall not have any right, title, or interest in or to any of the Facilities.

2.4 *Books and Records.* Comverse shall keep books and records of the Services provided and reasonable supporting documentation of all charges incurred in connection with providing such Services, in such detail and for such time periods as shall be in accordance with Comverse's then standard record keeping procedures, as in effect from time to time.

2.5 *Representations and Warranties.* Each party hereto represents and warrants that (a) it is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (b) it has full corporate power and authority to enter into this Agreement and to perform its obligations hereunder; and (c) the execution and delivery of this Agreement by it and the performance by it of its obligations hereunder have been duly and validly authorized by all necessary corporate action.

SECTION 3
SERVICES; PAYMENT; INDEPENDENT CONTRACTOR

3.1 *Services to be Provided.*

(a) Unless otherwise agreed by the parties, the Services shall be performed by Comverse for Purchaser in a manner that is substantially the same as the manner and level of support in which such Services were generally performed by Comverse for Purchaser prior to the date of this Agreement, and Purchaser shall use such Services for substantially the same purposes and in substantially the same manner as Purchaser had used such Services prior to the date hereof unless

otherwise mutually agreed. Comverse shall act under this Agreement solely as an independent contractor and not as an agent of Purchaser and, except as provided herein, shall have no right, power or

authority to act or to create any obligation, express or implied, on behalf of Purchaser or represent Purchaser as to any matters.

(b) Comverse shall have the right, at any time, to shut down or to terminate a facility and/or to terminate any or all of the Services by giving Purchaser sixty (60) days prior notice of such shut down or termination.

(c) It is understood that Comverse shall not be required to use its own funds or to otherwise pay for any goods or services purchased or required by Purchaser from third parties or for any other payment obligation of Purchaser.

3.2 *Payment.* Statements will be rendered each quarter by Comverse to Purchaser for Services delivered during the preceding quarter, and each such statement shall set forth in reasonable detail a description of such Services and the amounts charged therefor and shall be payable 30 days after the date thereof. Statements not paid within such 30-day period, unless such invoice is being challenged, shall be subject to late charges for each month or portion thereof the statement is overdue, calculated as the lesser of (i) the then current prime rate offered by Chase Manhattan Bank, plus one percentage point, or (ii) the maximum rate allowed by applicable law.

3.3 *Disclaimer of Warranty.* EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE SERVICES TO BE PURCHASED UNDER THIS AGREEMENT ARE FURNISHED AS IS, WHERE IS, WITH ALL FAULTS AND WITHOUT WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. COMVERSE DOES NOT MAKE ANY WARRANTY THAT ANY SERVICE COMPLIES WITH ANY LAW OR REGULATION, DOMESTIC OR FOREIGN.

3.4 *Taxes.*

(a) Purchaser shall pay to Comverse all applicable sales tax, value-added tax and/or goods and services tax as payable on the fees for Services payable hereunder.

(b) In addition to the fees required to be paid by Purchaser to Comverse for the Services provided hereunder, Purchaser shall remit to the appropriate tax authorities (the "Tax Authorities") any taxes required to be withheld by law from any fees payable to Comverse hereunder. Purchaser shall submit to Comverse evidence of payment of any such withholding tax to the Tax Authorities. In the event that Comverse receives any credit, deduction or refund of such withholding tax from the Tax Authorities, it shall (i) promptly provide a copy of the certificate from the Tax Authorities showing the receipt of such credit, deduction or refund, and (ii) provide Purchaser a credit for such amount against future quarterly fees payable by Purchaser to Seller.

3.5 *Use of Services.* Comverse shall be required to provide Services only to Purchaser in connection with the conduct by Purchaser of its business. Purchaser

shall not resell any Services to any Person whatsoever or permit the use of the Services to any Person other than in connection with the conduct of Purchaser's business in the ordinary course.

SECTION 4
TERMINATION

4.1 *Termination.* This Agreement shall terminate either on (a) the date on which the provision of all Services has been terminated pursuant to this Section 4.1, or (b) the date on which this Agreement is terminated pursuant to Section 4.2. With respect to each Service, Purchaser may terminate any Service at any time upon sixty (60) days prior written notice subject to the requirement that Purchaser pays to Comverse the aggregate amount of all out-of-pocket costs and expenses reasonably and actually incurred by Comverse arising out of or in connection with such termination, which shall include (without limitation) any severance costs, as reasonably determined by Comverse, as a result of such termination, which out-of-pocket costs shall be set forth in reasonable detail in a written statement provided by Comverse to Purchaser.

4.2 *Event of Default.* A party shall be in default hereunder if (i) such party commits a material breach of any term of this Agreement and such breach continues uncured for 30 days following receipt of written notice thereof from the other party describing such breach in reasonable detail, (ii) such party makes a general assignment for the benefit of its creditors, (iii) there is a filing seeking an order for relief in respect of such party in an involuntary case under any applicable bankruptcy, insolvency or other similar law and such case remains undismissed for 30 days or more, (iv) a trustee or receiver is appointed for such party or its assets or any substantial part thereof, or (v) such party files a voluntary petition under any bankruptcy, insolvency or similar law of the relief of debtors.

4.3 *Remedies.*

(a) If there is any default by the Purchaser hereunder, Comverse may exercise any or all of the following remedies: (a) declare immediately due and payable all sums for which Purchaser is liable under this Agreement; (b) suspend this Agreement and decline to continue to perform any of its obligations hereunder; and/or (c) terminate this Agreement.

(b) If there is any default by Comverse hereunder, Purchaser may terminate this Agreement and recover any fees paid in advance for Services not performed.

(c) In addition to the remedies set forth in clauses (a) and (b) above, a non-defaulting party shall have all other remedies available at law or equity, subject to Section 6.

4.4 *Books and Records.* Upon the termination of a Service or Services with respect to which Comverse holds books, records or files, including, but not limited to, current and archived copies of computer files, owned by Purchaser and used by

Comverse in connection with the provision of a Service to Purchaser, Comverse will return all such books, records or files as soon as reasonably practicable. Purchaser shall bear Comverse's costs and expenses associated with the return of such documents. At its expense, Comverse may make a copy of such books, records or files for its legal files. In the event Comverse needs access to such books, records or files for legal or tax reasons, Purchaser shall cooperate with Comverse to make such books, records or files available to Comverse at Comverse's expense.

4.5 *Effect of Termination.* Sections 4.3, 4.4, 4.5, 6 and 7 shall survive any termination of this Agreement.

SECTION 5
FORCE MAJEURE

5.1 *Force Majeure.* A party shall not be deemed to have breached this Agreement to the extent that performance of its obligations or attempts to cure any breach are made impossible or impracticable due to any act of God, fire, natural disaster, act of terror, act of government, shortage of materials or supplies after the date hereof, labor disputes or any other cause beyond the reasonable control of such party (a "Force Majeure"). The party whose performance is delayed or prevented shall promptly notify the other party of the Force Majeure cause of such prevention or delay.

SECTION 6
LIABILITIES

6.1 *Consequential and Other Damages.* Neither party shall be liable to the other party, whether in contract, tort (including negligence and strict liability), or otherwise, for any special, indirect, incidental or consequential damages whatsoever, which in any way arise out of, relate to, or are a consequence of, its performance or nonperformance hereunder, or the provision of or failure to provide any Service hereunder, including but not limited to loss of profits.

6.2 *Limitation of Liability.* NOTWITHSTANDING THE FORUM IN WHICH ANY CLAIM OR ACTION MAY BE BROUGHT OR ASSERTED OR THE NATURE OF ANY SUCH CLAIM OR ACTION, IN NO EVENT SHALL ANY DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF COMVERSE BE PERSONALLY LIABLE TO PURCHASER IN RESPECT OF ANY SERVICES RENDERED HEREUNDER BY SUCH PERSON EXCEPT IN THE CASE OF FRAUD. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, IN NO EVENT SHALL COMVERSE, ITS SUBSIDIARIES AND ITS AFFILIATES, EXCEPT IN THE CASE OF FRAUD, BE LIABLE TO PURCHASER IN CONNECTION WITH OR ARISING OUT OF COMVERSE PROVIDING OR FAILING TO PROVIDE ANY OF THE SERVICES SPECIFIED IN THIS AGREEMENT IN AN AMOUNT WHICH SHALL EXCEED THE LESSER OF (A) THE AMOUNT OF THE CLAIM, OR (B) THE TOTAL FEE PAID OR PAYABLE BY PURCHASER FOR THE SPECIFIC SERVICE FOR THE SIX (6) MONTH PERIOD PRECEDING SUCH CLAIM GIVING RISE TO SUCH CLAIM OR ACTION.

The parties agree that this provision limiting remedies and liquidating damages is reasonable under the circumstances and Purchaser acknowledges that Comverse, its subsidiaries and its affiliates (including directors, officers, employees and agents) shall have no other financial liability to Purchaser whatsoever.

6.3 *Indemnification.*

(a) Purchaser shall indemnify, defend and hold harmless Comverse and its officers, directors, employees or agents from and against any and all liabilities, claims, damages, losses and expenses (including, but not limited to, court costs and reasonable attorneys' fees) of any kind or nature ("Losses and Expenses"), related to, arising out of or in connection with (a) Purchaser's failure to fulfill its obligations hereunder or (b) the performance by Comverse of Services hereunder; provided, however, Comverse shall not be indemnified by Purchaser for any Losses and Expenses that have resulted from Comverse's willful misconduct, bad faith or gross negligence.

(b) Comverse shall indemnify, defend and hold harmless Purchaser and its officers, directors, employees or agents from and against any and all Losses and Expenses related to, arising out of or in connection with (i) Comverse's failure to fulfill its obligations or (ii) the performance by Comverse of Services hereunder; provided, however, Purchaser shall not be indemnified by Comverse for any Losses and Expenses that have resulted from Purchaser's willful misconduct, bad faith or gross negligence.

SECTION 7
MISCELLANEOUS

7.1 All communications to either party hereunder shall be in writing and shall be delivered in person or sent by facsimile, telegram, telex, by registered or certified mail (postage prepaid, return receipt requested) or by reputable overnight courier to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.1):

(i) If to Comverse, to:
Comverse, Inc.
100 Quannapowitt Parkway
Wakefield, Massachusetts 01880
Attention: Legal Department
Facsimile No.: (781) 224-8144

(ii) If to Purchaser, to:
Comverse Infosys, Inc.
234 Crossways Park Drive
Woodbury, New York 11797
Facsimile: (516) 677-7399
Attn: President and Chief Executive Officer

7.2 *Headings.* The headings contained in this Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement.

7.3 *Entire Agreement.* This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

7.4 *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original and both of which shall together constitute one and the same instrument.

7.5 *Governing Law.* This Agreement shall be governed by the laws of the State of New York.

7.6 *Assignment.* No party may assign its rights or delegate its obligations under this Agreement to any Person without the prior written consent of the other party; *provided, however,* that Purchaser shall be entitled to assign this Agreement to any Subsidiary of Purchaser without obtaining the consent of Comverse. Any attempted or purported assignment or delegation without such required consent shall be void. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns.

7.7 *No Third Party Beneficiaries.* Except as provided in Section 6.3 with respect to indemnification, nothing in this Agreement shall confer any rights upon any Person other than the Purchaser and Comverse and each such party's respective successors and permitted assigns.

7.8 *Amendment; Waivers, etc.* No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the party against whom enforcement of the amendment, modification, discharge or waiver is sought. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time.

7.9 *Confidentiality; Security; Title to Data.*

(a) Each of the parties agrees that any confidential information of the other party received in the course of performance under this Agreement shall be kept strictly confidential by the parties, and shall not be disclosed to any Person without the prior written consent of the other party, except as required by law or court order. Upon the termination of this Agreement, each party shall return to the other party all of such other party's confidential information to the extent that such information has not been previously returned pursuant to Section 4.4 of this Agreement.

(b) Purchaser acknowledges that it will acquire no right, title or interest (including any license rights or rights of use) in any firmware or software, and

any licenses therefor which are owned by Comverse, by reason of Comverse's provision of the Services under this Agreement.

(c) Comverse agrees that all records, data, files, input materials and other information computed by Comverse for the benefit of Purchaser and which relate to the provision of the Services are the joint property of Comverse and Purchaser.

7.10 *Independent Contractors.* The parties shall operate as, and have the status of, independent contractors and neither party shall act as or be a partner, co-venturer or employee of the other party. Unless specifically authorized to do so in writing, neither party shall have any right or authority to assume or create any obligations or to make any representations or warranties on behalf of the other party, whether express or implied, or to bind the other party in any respect whatsoever.

7.11 *Errors and Omissions.* Inadvertent delays, errors or omissions that occur in connection with the performance of this Agreement or the transactions contemplated hereby shall not constitute a breach of this Agreement provided that any such delay, error or omission is corrected as promptly as commercially practicable after discovery.

7.12 *Invalid Provisions.* If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of the parties under this Agreement will not be materially and adversely affected thereby, (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (d) in lieu of such illegal, invalid, or unenforceable provisions, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

[SIGNATURE PAGE FOLLOWS]

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

COMVERSE, INC.

By: /s/ David Kreinberg

Name: David Kreinberg
Title: Vice President

COMVERSE INFOSYS, INC.

By: /s/ Dan Bodner

Name: Dan Bodner
Title: President and Chief Executive Officer

Schedule A

Corporate Support Services and Fees

A. *Description of Services.* Corporate support services will include the following functions:

1. **Comverse Employees**: The exclusive use of the services described below of those employees selected by Purchaser and agreed by Comverse from time to time in each of the foreign countries listed on Exhibit A attached hereto:

   (a) Providing sales assistance in respect of Purchaser's products in the foreign country in which such employee is located. Under no circumstances will such employee have or be granted the power to legally bind Purchaser in any way. The employee may assist Purchaser's sales personnel with the solicitation of contracts for the sale of Purchaser's products, improving customer relations and facilitating the flow of information between Purchaser and its customers;

   (b) Furnishing product maintenance and repair services under Purchaser's contracts with customers in the foreign country in which such employee is located; and

   (c) Providing any other administrative assistance requested by Purchaser.

   The countries listed on *Exhibit A* shall be subject to adjustment from time to time by the parties. The salary of each such employee shall be paid by Comverse.

2. **Employee Benefits:** Employee benefits coverage under the existing Comverse policies/plans for each employee referred to in clause 1 above. The cost of providing such benefits shall be paid by Comverse.

3. **Facilities**: Use of office space for the employees referred to in clause 1 above, utilities, telephone, maintenance, office supplies, use of office equipment, janitorial services and security services.

B. *Fees:* In consideration of Comverse's performance of the foregoing Services to Purchaser, Purchaser agrees to pay Comverse a quarterly fee calculated according to the itemized schedule shown in Table 1 below. The facilities fees are based on the total number of employees referred to in clause 1 above providing Services to Purchaser during each calendar month or part thereof. Invoices and payments will be made in accordance with Section 3.2.

Table 1: Corporate Support Services Fees by Function

Service	Cost
1. Comverse Employees	For each employee, a fee equal to the quarterly gross salary of such employee plus an additional amount equal to 10% of such gross salary.
2. Employee Benefits	Cost of applicable benefits granted to such employees by Comverse (including, without limitation, personal rent, personal utilities, etc.), plus an additional amount equal to 10% of such cost.
3. Facilities	The cost of all other applicable expenses (including, without limitation, office rent, utilities, travel, fixed line telephones, mobile phones, data network and stationery) shall be added, plus an additional amount equal to 10% of such cost.

EXHIBIT A

COUNTRIES

Hong Kong

Japan

Australia

France

India

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.8

, 2001

PROXY AGREEMENT

WITH RESPECT TO CAPITAL STOCK

OF

COMVERSE INFOSYS TECHNOLOGY, INC.

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PROXY AGREEMENT
WITH RESPECT TO CAPITAL STOCK
OF
COMVERSE INFOSYS TECHNOLOGY, INC.

This Proxy Agreement ("Agreement") is made this day of 20 by and between Comverse Technology Inc., a New York corporation ("CTI"); Comverse Infosys Inc., a Delaware corporation (the "Shareholder"); Comverse Infosys Technology, Inc., a Delaware corporation (the "Cleared Corporation"); Robert T. Marsh, Robert W. Bazley, and John J. Welch, Jr. and their successors appointed as provided in the Agreement (each individually a "Proxy Holder" and collectively the "Proxy Holders"), and the United States Department of Defense ("DoD"), all of the above collectively the "Parties."

RECITALS:

WHEREAS, the Cleared Corporation is duly organized and validly existing under the laws of the State of Delaware, and has an authorized capital of 1,500 shares, all of which are common voting shares, par value $0.01 per share, and of which 100 such shares are issued and outstanding (the "Shares"); and

WHEREAS, CTI owns more than a majority of the Shareholder; and

WHEREAS, the Shareholder owns all the Shares of the Cleared Corporation; and

WHEREAS, the Cleared Corporation's business consists of the development, marketing, and distribution of defense and defense-related items for various User Agencies[1] of the United States Government, including, without limitation, the DoD; and

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1 The Office of Secretary of Defense (OSD), (including all boards, councils, staffs, and commands), DoD agencies, and the Departments of Army, Navy, and Air Force (including all of their activities); the Departments of State, Commerce, Treasury, Transportation, Interior, Agriculture, Labor, and Justice; National Aeronautics and Space Administration (NASA); General Services Administration (GSA), Small Business Administration (SBA), National Science Foundation (NSF); Environmental Protection Agency (EPA); International Trade Commission (ITC), and United States Trade (UST).

WHEREAS, the offices and facilities of the Cleared Corporation require facility security clearances[2] issued under the National Industrial Security Program ("NISP") to conduct its business and the NISP requires that a corporation maintaining a facility security clearance be effectively insulated from foreign ownership, control or influence ("FOCI"); and

WHEREAS, the Assistant Secretary of Defense for Command, Control, Communications and Intelligence ("C3I") has determined that the provisions of this Agreement are necessary to enable the United States to protect itself against the unauthorized disclosure of information relating to the National Security; and

WHEREAS, the DoD has agreed to grant or continue the Cleared Corporation's facility security clearance from and after the effective date of this Agreement in consideration for inter alia, the Parties' execution and compliance with the provisions of this Agreement, the purpose of which is reasonably and effectively to exclude CTI and the Shareholder; and all entities that the aforementioned companies control, all of the above collectively the "Affiliates," from unauthorized access to classified[3] and controlled unclassified[4] information and influence over the Cleared Corporation's business or management; and

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2 An administrative determination that a facility is eligible for access to classified information of a certain category.

3 "Classified information" is any information that has been determined pursuant to Executive Order 12356 or any predecessor order to require protection against unauthorized disclosure and is so designated. The classifications TOP SECRET, SECRET and CONFIDENTIAL are used to designate such information.

4 "Unclassified Information", the export of which is controlled by the International Traffic in Arms Regulation ("ITAR") and/or the Export Administration Regulations ("EAR"). The export of technical data which is inherently military in nature is controlled by the ITAR. The export of technical data which has both military and commercial uses is controlled by EAR.

WHEREAS, the Defense Security Service ("DSS") has oversight responsibilities of the NISP on behalf of the DoD; and the NISP requires that a corporation maintaining such a facility clearance be effectively insulated from FOCI, this Agreement is entered into between the Parties in order to negate such FOCI, and to be submitted to the DSS for approval as required by applicable DoD regulation and policy; and

WHEREAS, in order to comply fully with the NISP, the Parties have agreed that the voting control of the shares should be vested in citizens of the United States:

NOW THEREFORE, in consideration of the premises and of the mutual undertakings of the Parties hereinafter set forth, a Proxy Agreement in respect of the shares is hereby created and established, subject to the following terms and conditions, to which all and every one of the Parties expressly assents and agrees:

ORGANIZATION

ARTICLE I—Establishment of Proxy Agreement

1.01. The establishment of this Agreement involves the selection of no less than three Proxy Holders with the qualifications set forth in Section 2.01. The Proxy shall be granted by the Shareholder to the Proxy Holders pursuant to Article XIII. DoD shall determine that all requirements of this Agreement have been satisfied including the necessary independence and separation of operation, lack of interdependence between the Affiliates on the one hand and the Cleared Corporation and/or its subsidiaries, and the financial self-reliance and business viability of the Cleared Corporation.

ARTICLE II—Appointment of Proxy Holders

2.01. Initial Proxy Holder nominees will be chosen by the Shareholder. The initial and successor Proxy Holders shall: be resident citizens of the United States; have had no prior contractual, financial, or employment relationships with the Affiliates, Shareholder or the Cleared Corporation; certify their willingness to accept their security responsibilities; and be eligible for the requisite personnel security clearance.[5] The appointment of initial and successor Proxy Holders shall not become effective until approved by DSS.

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5 Eligibility for the requisite personnel security clearance is an administrative determination that an individual is eligible for access to classified information of a certain category.

2.02. Except as authorized by Section 2.03 below, the Shareholder may not remove a Proxy Holder except for acts of gross negligence or willful misconduct while in office. The Shareholder may remove a Proxy Holder for such acts by an instrument signed by or on behalf of the Shareholder and filed with the Cleared Corporation at its principal office in Reston, Virginia. The Shareholder must notify DSS 20 days prior to filing such instrument, and notice must be given

pursuant to Section 15.01 of this Agreement. However, if such removal would result in only one remaining Proxy Holder, then such an instrument of removal shall not be effective until a successor Proxy Holder who is qualified to serve hereunder has accepted appointment.

2.03. With the approval of DoD, the Shareholder may also remove a Proxy Holder for acts in violation of the Agreement, including the inability to protect the legitimate economic interest of the Shareholder pursuant to Section 6.05. The Shareholder must petition DoD for permission to remove a Proxy Holder for acts in violation of the Agreement. However, DoD has the right to determine, in its sole discretion, whether such petition should be granted.

2.04. Any Proxy Holder may at any time resign by submitting to the Cleared Corporation at its principal office in Reston, Virginia, a resignation in writing, with notice to the Shareholder and DSS pursuant to Section 15.01. Such resignation shall be effective on the date of resignation stated by the Proxy Holder. No formal acceptance of resignation by the Cleared Corporation is necessary to make

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the resignation effective. Upon resignation, a Proxy Holder's obligations and responsibilities under the Agreement are completed. However, if such resignation would result in only one remaining Proxy Holder, then the resignation shall not be effective until a successor Proxy Holder who is qualified to serve hereunder has accepted appointment.

2.05. Nomination and appointment of successor Proxy Holders shall be accomplished as follows:

a. In the event of the death, resignation, removal or inability to act of any Proxy Holder, the Cleared Corporation shall give prompt written notice to DSS and the Shareholder. The remaining Proxy Holders shall nominate a successor Proxy Holder and notify the Shareholder and DDS of the nominee. In the event that a nominee is vetoed by the Shareholder pursuant to Section 2.05(b) below, the remaining Proxy Holders shall diligently nominate an alternate successor Proxy Holder.

b. The Shareholder shall not have the right to nominate or suggest any person for the position of a successor Proxy Holder. The Shareholder shall have the right to veto without cause a nominee for the position of successor Proxy Holder. Absent a veto by the Shareholder of a nominee, and upon approval by DSS, the nominee may be appointed by the remaining Proxy Holders. The Shareholder shall notify the remaining Proxy Holders and DSS of acceptance or veto within 20 days of receipt of the nomination of a successor Proxy Holder. Failure by the Shareholder to notify the Proxy Holders within 20 days of notification of nomination shall be deemed to constitute acceptance.

c. If the Shareholder has vetoed three successive nominees proposed by the remaining Proxy Holders, the third nominee, upon approval by DSS, shall be accepted absent an appeal submitted by the Shareholder to DSS for reasonable cause.

d. Any nomination and appointment of a successor Proxy Holder shall be made by an instrument in writing signed by the remaining Proxy Holders. Counterparts of such instrument shall be delivered to the Cleared Corporation, DSS and the Shareholder as provided in Section 15.01.

2.06. Acceptance of appointment for all initial or successor Proxy Holders as provided above may only be accomplished by their agreement to be bound by the terms of this Agreement, as signified by their signature on the counterpart of this Agreement on file at the Cleared Corporation's principal office in Reston, Virginia, with copies to the other Proxy Holders, the Shareholder, and DSS. Upon acceptance of such appointment by the nominee and approval by DSS, the initial or successor Proxy Holder shall be vested with all the rights, powers, authority and immunities herein conferred upon the Proxy Holders by this Agreement.

2.07. On the death, resignation, removal or disability of a Proxy Holder, the remaining Proxy Holders may exercise all of the rights, powers and privileges of the Proxy Holders as set forth in this Agreement until a successor accepts appointment. If no Proxy Holders remain, the Chairman or Acting Chairman of the Board of Directors of the Cleared Corporation shall, upon written notice to DSS, be automatically vested with all rights, powers, authorities and immunities of the Proxy Holders for an interim period not to exceed 30 days, except that the Shareholder shall, under such circumstances, have the right to appoint two new Proxy Holders pursuant to Section 2.01. The two new Proxy Holders shall nominate the third Proxy Holder pursuant to Section 2.05.

ARTICLE III—Acknowledgment of Obligations

3.01. All Proxy Holders shall become Directors of the Cleared Corporation. Proxy Holders may appoint or remove other Directors in their sole discretion. The Board of Directors shall elect a Chairman, who may be one of the Proxy Holders.

3.02. The terms of compensation, including any and all benefits for the Proxy Holders, shall be negotiated between the Proxy Holders and Shareholder, paid by the Cleared Corporation, shall not be

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changed during the Proxy Holders' tenure as Proxy Holders, except upon mutual agreement between the Proxy Holders and the Shareholder with approval of DDS, and shall be provided to DSS.

3.03. Each Proxy Holder agrees that, in order to be qualified under the Agreement, he must have had no prior or existing contractual, financial or employment relationship with either the Cleared Corporation or the Affiliates prior to their appointment. Each Proxy Holder further agrees, in order to maintain his qualification as a Proxy Holder: (i) not to establish any relationships of any kind with the Shareholder, the Affiliates or the Cleared Corporation except as may be required or permitted by the Agreement; and (ii) to be processed for and remain eligible for a United States Government personnel security clearance and reside within the United States during the term of the Agreement as a Proxy Holder;

3.04. Each of the Proxy Holders, in recognition of his obligations under the Agreement, agrees:

a. that the Shares are being placed in a Proxy Agreement as a security measure designed to insulate the Cleared Corporation from any foreign control or influence that may arise from the Shareholder's ownership of the Shares;

b. that the United States Government is placing its reliance upon each Proxy Holder as United States citizen to exercise independently all prerogatives of ownership of the Cleared Corporation;

c. that one year from the effective date of the Agreement or at the annual meeting required under Section 9.01, the Proxy Holders shall assure that a report is submitted to DSS in accordance with Section 9.02;

d. that each Proxy Holder, upon acceptance of appointment, shall be briefed by a representative of DSS on his responsibilities under the NISP and the Agreement;

e. that one year from the effective date of the Agreement or at the annual meeting required under Section 9.01, the Proxy Holders shall meet with representatives of DSS in accordance with Section 9.01;

f. that each Proxy Holder, upon acceptance of appointment and annually thereafter, shall execute, for delivery to DSS, a certificate affirming his Agreement to be bound by, and accept his responsibilities under the Agreement;

g. not to accept direction from the Shareholder on any matter before the Proxy Holders or the Board of Directors of the Cleared Corporation and not to permit the Shareholder to exercise any control or influence over the business or management of the Cleared Corporation except as provided in the Agreement;

h. to ensure that the management appointed by the Proxy Holders fully understands his responsibility to exercise all prerogatives of management with complete independence from any foreign influence or control;

i. that each principal officer of the Cleared Corporation shall be furnished a policy statement on FOCI, stating that management has complete independence from the Shareholder, that they are barred from taking any action that would countermand the Agreement, and that any suspected violation of this Agreement shall be reported immediately to the Chairman of the GSC;

j. nothing in this Agreement is intended to prohibit the Shareholder, as the owner of the Cleared Corporation, from offering to the Proxy Holders advice or administrative services of the type customarily provided to subsidiary corporations, nor to prohibit the Proxy Holders and the Cleared Corporation from accepting such assistance, when the assistance is (i) not inconsistent with the Cleared Corporation's obligations under the National Industrial Security Program Operation Manual ("NISPOM"), and (ii) of benefit to the Cleared Corporation as determined by

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the Proxy Holders in their sole discretion. It shall be a condition of the Proxy Holders' acceptance of any administrative services pursuant to this subparagraph j that DSS shall have approved an amendment or addendum to this Agreement authorizing such acceptance;

k. to maintain records, journals and minutes of meetings and copies of all communications sent or received by them in the execution of their duties. Such data and copies of all information furnished to the Shareholder by the Cleared Corporation or the Proxy Holders shall be made available upon request for inspection by DSS at the office of the Proxy Holders or the office of the Cleared Corporation.

3.05. The Proxy Holders shall appoint an independent financial auditor to conduct an annual audit of the Cleared Corporation's books and records. The Proxy Holders shall advise DSS and the Shareholder of their action. Upon completion of the audit and review by the Proxy Holders, and subject to the removal of any information not releasable under the Agreement, the audit report shall be forwarded to the Shareholder.

3.06. The Cleared Corporation, the Shareholder, or a majority of the Proxy Holders then in office may from time to time request meetings with DSS Headquarters regarding the implementation of this Agreement. At such meetings, matters may be discussed including, but not limited to, the following: assistance related to the problems or impediments associated with the practical application of this Agreement, performance of the Proxy Holders, or other matters affecting this Agreement.

ARTICLE IV—Indemnification and Compensation of Proxy Holders

4.01. In voting the stock with respect to which they hold proxies, the Proxy Holders shall vote and act on all matters in accordance with their best judgment, but they assume no responsibility with respect to any action taken by them or taken in pursuance of their vote as cast; and no Proxy Holder shall incur any responsibility by reason of any error in law, mistake of judgment or any matter or thing done or suffered or omitted to be done under this Agreement, except for his or her own individual gross negligence or willful misconduct.

4.02. The Proxy Holders shall not be answerable for the default or misconduct of, or for actions taken in reliance on advice received from, any agent or attorney appointed by them in pursuance of this Agreement if such agent or attorney was selected with reasonable care.

4.03. The Cleared Corporation and the Shareholder jointly and severally shall indemnify and hold each Proxy Holder harmless from any and all claims arising from or in any way connected to his performance as a Proxy Holder or director of the Cleared Corporation under the Agreement to the fullest extent permitted by the bylaws of the Cleared Corporation or applicable law. The Cleared Corporation and the shareholder shall advance fees and costs as incurred in connection with the defense of any such claim. The Shareholder and/or the Cleared Corporation may purchase insurance to cover this indemnification.

4.04. The compensation, reasonable and necessary travel expenses and other expenses paid or incurred by the Proxy Holders in the administration of their Proxy Holder duties shall be borne and promptly paid by the Cleared Corporation upon submission to it of reasonably detailed documentation as appropriate. The Cleared Corporation hereby agrees to promptly pay such compensation, travel expenses and other expenses.

ARTICLE V—Restrictions Binding on Subsidiaries of the Cleared Corporation

5.01. The Parties hereto agree that the provisions of the Agreement shall apply to; and shall be made to be binding upon; all present and future subsidiaries of the Cleared Corporation. The Cleared Corporation hereby agrees to undertake any and all measures, and provide such authorizations, as may

be necessary to effectuate this requirement. The sale of, or termination of the Cleared Corporation's control over any such subsidiary shall terminate the applicability to it of the Agreement.

5.02. If the Cleared Corporation proposes to form a subsidiary, or to acquire ownership or control of another company, it shall give notice of such proposed action to DSS and shall advise DSS again immediately upon consummation of such formation or acquisition.

OPERATIONS

ARTICLE VI—Actions by the Proxy Holders

6.01. The Proxy Holders shall adopt written standard operating procedures which shall be followed by the Proxy Holders in discharging their responsibilities under this Agreement. The operating procedures shall be maintained by the Proxy Holders for inspection by DSS. The Shareholder may review the operating procedures only with the advanced written approval of DoD. Shareholder appeals of any provision of the operating procedures shall be forwarded to DSS. DoD has the right to determine, in its sole discretion, whether such appeal should be favorably considered.

6.02. Proxy Holders shall hold regularly scheduled meetings. These meetings may be held at such time and at such place within the United States as shall be decided, from time to time, by a majority of the Proxy Holders. At least four meetings shall be held each year. Minutes of such meetings shall be prepared and retained by the Proxy Holders for inspection by DSS.

6.03. For the purpose of conducting the Cleared Corporation's business, a majority of the Proxy Holders present at an official meeting, either in person or by written proxy, shall have the right to cast either in person or by written proxy one vote on each question. In lieu of a meeting, action may also be taken on the business of the Cleared Corporation by a writing signed by all the Proxy Holders. Each Proxy Holder agrees to attend, except for good cause shown, not less than 50% of all official meetings held in one year's time at which his attendance is formally requested pursuant to the Proxy Holders' procedures.

6.04. No proxy to vote the Shares may be given to, or voted by, any person other than one of the Proxy Holders.

6.05. Subject at all times to the responsibility to ensure compliance by the Cleared Corporation with NISP requirements and the Agreement, the Proxy Holders shall act in good faith as reasonably prudent persons to protect the legitimate economic interests of the Shareholder in the Cleared Corporation as an ongoing business concern.

6.06. The Government Security Committee (see Section 8.01 below) shall establish written policies and procedures and maintain oversight to provide reasonable assurance to itself and DSS that electronic communications between the Cleared Corporation and its subsidiaries and the Affiliates do not disclose classified or export controlled information without proper authorization. (Note: as used in this Agreement, the term "electronic communications" means the transfer of information via, including but not limited to, telephone conversations, facsimiles, teleconferences, video conferences or electronic mail.) Policies and procedures will also provide reasonable assurance that electronic communications are not used by the Parent(s) and/or any of its Affiliates to exert influence or control over the Cleared Corporation's business or management in a manner which could adversely affect the performance of classified contracts.

ARTICLE VII—Voting Discretion

7.01. Except as otherwise provided in this Agreement, the Proxy Holders shall possess and shall be entitled to exercise in their sole and absolute discretion, with respect to any and all of the Shares at any time covered by the Agreement, the right to vote the same or to consent to any and every act of

the Cleared Corporation in the same manner and to the same extent as if they were the absolute owners of such Shares in their own right. All decisions and actions by the Proxy Holders pursuant to this Agreement shall be based on their independent judgment. All decisions and actions by the Proxy Holders shall be free of any control or influence from the Shareholder in any manner whatsoever except as specifically permitted in the Agreement. Communication of any nature and by any means from the Shareholder deemed by the Proxy Holders to be an attempt to assert any influence or control precluded by the Agreement, shall be reported immediately by the Proxy Holders to DSS.

7.02. In addition to the general authorities conferred by Section 7.01 above, the Proxy Holders are specifically authorized in the exercise of their sole and absolute discretion with respect to any and all of the Shares to vote for or consent to:

a. the election of directors of the Cleared Corporation;

b. any increase, reduction or reclassification of the capital stock of the Cleared Corporation;

c. any changes or amendments to the Articles of Incorporation or Bylaws of the Cleared Corporation[6] involving matters other than those necessary pursuant to Section 7.04 below;

6 The Bylaws and Articles of Incorporation of the Cleared Corporation shall be reviewed by DDS at the time of establishment of this Agreement and at least annually thereafter.

d. the sale or disposal of the property, assets or business of the Cleared Corporation other than that prohibited in Section 7.03 below;

e. the pledging, mortgaging or encumbering of any assets of the Cleared Corporation, except as described in Section 7.03 below, which any Shareholder might lawfully exercise.

f. any action with respect to the foregoing, or any other matter affecting the Cleared Corporation and not specifically described in Section 7.03 which any Shareholder might lawfully exercise.

7.03. The Proxy Holders are not authorized to take any of the following actions without the express written approval of the Shareholder:

a. the sale or disposal, in any manner, of capital assets or business of the Cleared Corporation where an individual sale or disposition exceeds 25% of the assets of the Cleared Corporation or where sales or dispositions in the aggregate exceeds 45% of the assets of the Cleared Corporation;

b. the pledging, mortgaging or encumbering of the assets of the Cleared Corporation for purposes other than obtaining working capital or funds for capital improvements;

c. any merger, consolidation, reorganization or dissolution of the Cleared Corporation; or

d. the filing or making of any petition under the federal bankruptcy laws or any similar law or statute of any state or any foreign country.

7.04. The Proxy Holders agree that they shall, upon written request by the Shareholder, take such action or actions as are necessary to recommend, authorize or approve the actions specified in Section 7.03. The Proxy Holders shall consult with the Shareholder concerning such action so that the Shareholder may have sufficient information to ensure that all such actions will be taken in accordance with applicable United States laws and regulations. Any action of the Proxy Holders with respect to the matters specified in Section 7.03 which is taken without the approval of the Shareholder shall be void and shall have no effect.

7.05. Anything in this Agreement to the contrary notwithstanding, the Proxy Holders may, upon the petition of the Shareholder, authorize the sale of all or substantially all of the assets of the Cleared

Corporation or any division thereof to a person(s) who is (are) a citizen(s) of the United States or a non-foreign owned or controlled entity.

ARTICLE VIII—Government Security Committee (GSC)

8.01. There shall be established a permanent committee of the Cleared Corporation's Board of Directors, to be known as the Government Security Committee ("GSC"), consisting of all Proxy Holders Directors and those officers of the Cleared Corporation who are also directors and who hold personnel security clearances at the level of the Cleared Corporation's facility security clearance. The members of the GSC shall exercise all reasonable efforts to ensure that the Cleared Corporation maintains policies and procedures to safeguard classified information in the possession of the Cleared Corporation and to ensure that the Cleared Corporation complies with the Agreement, the ITAR, EAR, and the DoD Industrial Security Manual.

8.02. The GSC shall designate one of the Proxy Holder members to serve as Chairman of the GSC.

8.03. The Chairman of the GSC shall designate a member of the GSC to be Secretary of the GSC. The Secretary's responsibility shall include ensuring that all records, journals, and minutes of GSC meetings and other documents sent to or received by the GSC are prepared and retained for inspection by DSS.

8.04. A Facility Security Officer ("FSO") shall be appointed by the Cleared Corporation and shall be the principal advisor to the GSC concerning the safeguarding of classified information. The FSO's responsibility includes the operational oversight of the Cleared Corporation's compliance with the requirements of the NISP.

8.05. The members of the GSC shall exercise all reasonable efforts to ensure that the Cleared Corporation develops and implements a Technology Control Plan ("TCP"), which shall be subject to inspection by DSS. The GSC shall have authority to establish the policy for the Cleared Corporation's TCP. The TCP shall prescribe measures to prevent unauthorized disclosure or export of controlled unclassified information consistent with applicable United States laws and regulations.

8.06. A Technology Control Officer ("TCO") shall be appointed by the Cleared Corporation and shall be the principal advisor to the GSC concerning the protection of controlled unclassified information and other proprietary technology and data subject to regulatory or contractual control by the U. S. Government. The TCO's responsibilities shall include the establishment and administration of all intracompany procedures, including employee training programs to prevent the unauthorized disclosure or export of controlled unclassified information and to ensure that the Cleared Corporation otherwise complies with the requirements of the ITAR and EAR.

8.07. Discussions of classified and controlled unclassified information by the GSC shall be held in closed sessions and accurate minutes of such meetings shall be kept and shall be made available only to such authorized individuals as are so designated by the GSC.

8.08. Upon taking office, the GSC members, the FSO and the TCO shall be briefed by a DSS representative on their responsibilities under the NISP and the Agreement.

8.09. Each member of the GSC shall exercise all reasonable efforts to ensure that all provisions of the Agreement are carried out; that the Cleared Corporation's directors, officers, and employees comply with the provisions of the Agreement; and that DSS is advised of any known violation of, or known attempt to violate, any provision of the Agreement, appropriate contract provisions regarding security, United States Government export control laws and regulations, and the NISPOM.

8.10. Each member of the GSC shall execute, for delivery to DSS upon accepting his appointment and thereafter at each annual meeting of the Cleared Corporation with DSS as established by this

Agreement, a certificate acknowledging the protective security measures taken by the Cleared Corporation to implement this Agreement; and further acknowledging his agreement to be bound by and acceptance of his responsibilities under this Agreement and acknowledging that the United States Government

("USG") has placed its reliance on him as United States ("US") citizen and as the holder of a personnel security clearance to exercise all reasonable efforts to ensure those matters set forth herein.

ARTICLE IX—Annual Review and Certification

9.01. Representative(s) of DSS, the Proxy Holders, other members of GSC, the FSO, the Cleared Corporation's Chief Executive Officer ("CEO"), the Cleared Corporation's Chief Financial Officer ("CFO") and the Shareholder shall meet annually to review the purpose and effectiveness of this Agreement and to establish a common understanding of the operating requirements and how they will be implemented. These meetings shall include a discussion of the following:

a. whether this Agreement is working in a satisfactory manner;

b. compliance or acts of noncompliance with the Agreement, NISPOM, or other applicable laws and regulations;

c. necessary guidance or assistance regarding problems or impediments associated with the practical application or utility of the Agreement; and

d. whether security controls, practices or procedures warrant adjustment.

9.02. The CEO and the Chairman of the GSC shall jointly submit to DSS one year from the effective date of the Agreement or at the annual meeting provided for in Section 9.01., an implementation and compliance report. Such reports shall include the following information:

a. a detailed description of the manner in which the Cleared Corporation is carrying out its obligation under the Agreement;

b. changes to security procedures, implemented or proposed, and the reasons for those changes;

c. a detailed description of any acts of noncompliance, whether inadvertent or intentional, with a discussion of what steps were taken to prevent such acts from occurring in the future;

d. any changes or impending changes, to any of the Cleared Corporation's management including reasons for such changes;

e. a statement, as appropriate, that a review of the records concerning all visits and communications between representatives of the Cleared Corporation and the Affiliates have been accomplished and the records are in order;

f. a detailed chronological summary of all transfers of classified and/or controlled unclassified information, if any, from the Cleared Corporation to the Affiliates, complete with an explanation of the USG authorization relied upon to effect such transfers. Copies of approved export licenses covering the reporting period shall be appended to the report; and

g. a list of current classified contracts of which the Cleared Corporation (to include its cleared divisions and cleared subsidiaries) is a party, including the percentage of income derived from each classified contract; and,

h. any other issues that could have a bearing on the effectiveness or implementation of this Agreement.

ARTICLE X—Duty to Report Violations of the Agreement

10.01.The Parties to the Agreement, agree to report promptly to DSS all instances in which the term and obligations of the Agreement may have been violated.

CONTACTS AND VISITS

ARTICLE XI—Regulated Meetings, Visits and Communications

11.01. The Parties to the Agreement hereby agree to abide by the following procedures regarding meetings, visits, and communications between the Cleared Corporation and it's subsidiaries and divisions and the Affiliates.

a. The Proxy Holders shall schedule a meeting once each year with the Shareholder. Meetings with the Shareholder may be held more frequently than once each year if a majority of the Proxy Holders agree. Representatives of the Cleared Corporation may attend these meetings if requested by the Proxy Holders. Classified and controlled unclassified information shall not be disclosed to the Shareholder except as specifically authorized by applicable law or regulation. Suggestions or requests of the Shareholder representatives present at these meetings shall not be binding on the Proxy Holders or the Cleared Corporation. Minutes of meetings in which Shareholder representatives are in attendance shall be prepared and retained by the GSC for inspection by DSS.

b. All proposed non-routine visits to the Cleared Corporation and its subsidiaries by any person who represents the Affiliates (including all of the directors, officers, employees, representatives, and agents of each) and all proposed non-routine visits to the Affiliates by any person who represents the Cleared Corporation or its subsidiaries (including all directors, officers, employees, representatives, and agents of each) as well as visits between such persons at other locations, must be approved in advance by the Proxy Holder designated to act on such requests. All requests for such approval shall be submitted in writing to the Cleared Corporation's FSO for routing to the designated Proxy Holder. Although strictly social contacts at other locations between the Cleared Corporation's personnel and any individual representing the Affiliates are not prohibited, written reports of such visits must be submitted after the fact to the FSO for filing with, and review by, the designated Proxy Holder.

c. A written request for approval of a visit must be submitted to the FSO not less than seven (7) calendar days prior to the date of the proposed visit. If any unforeseen exigency precludes compliance with this requirement, such request may be communicated via telephone or other electronic means to the FSO and promptly confirmed in writing. The exact purpose and justification for the visit must be set forth in detail sufficient to make a reasonable and

prudent evaluation of the proposed visit. Each proposed visit must be individually justified and a separate approval request must be submitted for each. Representatives of DoD shall have the right to be present and to monitor all visits described in Section 11.01(b) above, no matter where they occur.

d. Upon receipt of a written request for approval of a visit, the FSO will promptly relay the information to the designated Proxy Holder, who, as soon as possible after being so advised, will indicate approval or disapproval of the request telephonically or by other expeditious means to the visiting parties. Such approval or disapproval will be promptly confirmed in writing. The GSC shall review periodically the records of any proposed and consummated visits that have occurred since the last review to ensure proper adherence to approved procedures and to verify that sufficient and proper justification was furnished.

e. Consistent with the security reliance the USG has placed on the Cleared Corporation and the individual Proxy Holders under this Agreement, certain routine visits inherent to an

independent and viable business operation ("Routine Business Visits") shall require advance approval only from the FSO or his or her designee.

f. Visits regarded to be Routine Business Visits, and therefore, requiring advance approval only from the FSO or his or her designee, are, in general, those which are made in connection with regular day-to-day business operation that pertain strictly to the purely commercial aspects of the Cleared Corporation's business and do not involve the transfer or receipt of classified information or export-controlled technical data. Unless notice to the contrary is given to the FSO by the Proxy Holders, the following visits by employees below the management level shall be assumed to be Routine Business Visits:

i. Solicitation, quotation, procurement, or other utilization of the products and services of the parties referenced herein as commercial suppliers (including the supply of such products or services to the USG) to the same extent as other commercial suppliers would be dealt with.

ii. Fiscal, fiduciary, and financial matters necessitated by compliance with the requirements of federal, state, and local authorities. Reports of visits in this category will state a rationale as to why the visit is required.

iii. Marketing and technical activities involving the export of products where the parties are required to comply with the existing procedures of the U.S. Departments of Defense, Commerce, State, Treasury, and other government agencies. Visits in the category will clearly identify the products, devices, components, or technical activity involved. The identification numbers of Department of State and/or Department of Commerce export licenses will be cited where applicable.

11.02. Visits and other communications between the Cleared Corporation and its subsidiaries and the Affiliates on such commercial matters as proposed contracts, subcontracts, joint ventures, partnerships, and teaming arrangements shall be approved in advance by a majority of the Proxy Holders.

11.03. Nothing in this Agreement shall be construed to prevent the Cleared Corporation from supplying to the Shareholder financial data relating to the financial condition and financial operations of the Cleared Corporation. The Cleared Corporation shall also respond in writing through the Proxy Holders to written questions that the Shareholder may have concerning information contained in such reports. The Proxy Holders and the Shareholder shall engage in discussions to determine the format of such reporting. The format must be acceptable to DSS.

11.04. The Proxy Holders shall provide the Shareholder with regular quarterly reports of the financial condition and operations of the Cleared Corporation in a form acceptable to DSS and shall make available appropriate financial personnel to provide any necessary assistance to aid the Shareholder's personnel to understand the financial presentation and applicable accounting principles.

11.05. A chronological file of all documentation associated with meetings, visitations and communications, together with appropriate approvals or disapprovals and reports, required pursuant to this Article XI, shall be maintained by the FSO for inspection by DSS.

ARTICLE XII—DoD Remedies

12.01. DoD reserves the right to impose any security safeguard not expressly contained in the Agreement that it believes is necessary to ensure that unauthorized access by the Affiliates to classified and controlled unclassified information is effectively precluded.

12.02. Nothing contained in the Agreement shall limit or affect the authority of the head of the USG agency[7] to deny or revoke the Cleared Corporation's access to classified and controlled unclassified information under its jurisdiction if it is determined by the User Agency that the national security so requires.

7 The term "agency" has the meaning provided at 5 United States Code ' 552(f).

12.03. The Parties hereby assent and agree that the USG has the right, obligation and authority to require any or all of the following remedies in the event of a material breach of the Agreement:

a. The novation of the Cleared Corporation's classified contracts to a company not under FOCI. The costs of the novation to a qualified successor-in-interest will be borne by the Cleared Corporation;

b. The termination of the Cleared Corporation's classified contracts and the denial of new classified contracts for the Cleared Corporation;

c. The revocation of the Cleared Corporation's facility security clearance; and

d. The suspension and/or debarment of the Cleared Corporation from participation in all Federal Government contracts, in accordance with the provisions of the Federal Acquisition Regulations.

12.04. Nothing in the Agreement limits the right of the USG to pursue criminal sanctions against the Cleared Corporation, the Shareholder, any Affiliates, or any director, officer, employee, representative, or agent of any of these companies, for violations of the criminal laws of the United States in connection with their performance of any of the obligations imposed by this Agreement, including but not limited to any violations of the False Statements Act 18.U. S. C. 287, or of federal criminal statutes pertaining to the unauthorized disclosure of classified information.

ADMINISTRATION

ARTICLE XIII—Grant of Proxy, Restrictive Legend and Sale of Stock

13.01. The Shareholder hereby appoints the Proxy Holders as its proxies, to have all rights, powers and authority to exercise all voting rights with respect to the Shares, subject to the terms and conditions set forth in the Agreement.

13.02. It is the essence of the Agreement that none of the rights, powers and authority which the agreement confers on the Proxy Holders may be terminated at any time or in any manner other than as provided in the Agreement.

13.03. Concurrently with the execution and delivery of the Agreement, the Shareholder shall annotate all certificates representing the Shares with the legend set out below to reflect that the Shares are subject to a proxy which is terminable only at such time or times, and in such manners, as are provided in the Agreement.

> The shares represented by this certificate are subject to a Proxy Agreement dated , under which the owner of these Shares has granted to the Proxy Holders named therein, and to their successors, those voting rights with respect to the shares represented hereby that are set forth in said agreement, which rights are terminable only at such time or times, and in such manner as are provided in said agreement. The purpose of said agreement is to meet the requirements of the Department of Defense so that the facility security clearances of the Cleared Corporation will be continued.

13.04. All certificates representing the Shares shall be deposited with the Proxy Holders at their office in trust for the Shareholder and available for inspection by DSS and the Shareholder. Receipts for such certificates shall be provided to the Shareholder.

13.05. If additional Shares of the Cleared Corporation are issued to the Shareholder, it shall be a condition of such issuance that the Shareholder execute a supplemental Proxy Agreement, containing the same terms and conditions set forth in the Agreement, appointing the Proxy Holders as its proxies to exercise all voting rights with respect to such shares; and the certificates for such shares shall be annotated in the same manner as provided in Section 13.03 above.

13.06. Nothing in the Agreement shall restrict the right of the Shareholder or any successor owner of the Shares from selling, transferring, pledging or otherwise encumbering, all or a portion thereof, subject to the terms and conditions of the Agreement, as appropriate, and the aforementioned restrictive legend shall not purport nor be construed to limit any owner's ability to effect any such sale, transfer or encumbrance. However, DSS shall be advised in writing of any proposed sale of the Shares or assets of the Cleared Corporation prior to the execution of any sales agreement. Conversely, the Proxy Holders shall not have the power to sell or otherwise transfer or pledge or otherwise encumber the Shares.

ARTICLE XIV—Dividends

14.01. During the term of the Agreement, the Shareholder, or any successor Shareholder, shall be entitled from time to time to receive from the Proxy Holders payments equal to cash dividends, if any, collected by or for the account of the Proxy Holders upon the Shares.

14.02. In the event the Proxy Holders receive any shares as a dividend upon the Shares, the Proxy Holders shall accept such shares.

ARTICLE XV—Notices

15.01. All notices required or permitted to be given to the Parties to the Agreement shall be given by mailing the same in a sealed postage paid envelope, via registered or certified mail, or sending the

same by courier or facsimile, to the addresses shown below, or to such other addresses as the Parties may designate from time to time pursuant to this section:

For the Cleared Corporation:	Comverse Infosys Technology, Inc. 14900 Conference Center Drive, Suite # 100 Chantilly, VA 20151 Attn: David Worthley, President & CEO
For the Shareholder:	Comverse Infosys Inc. 234 Crossways Park Drive Woodbury, NY 11797 Attn: Dan Bodner, President & CEO
For the Proxy Holders:	c/o Jill Inbar, Esq. Shea & Gardner 1800 Massachusetts Ave, N.W. Washington, D.C. 20036

For CTI:

Comverse Technology, Inc.
170 Crossways Park Drive
Woodbury, NY 11797
Attn: David Kreinberg

For DSS:

Defense Security Service
1340 Braddock Place
Alexandria, VA 22314-1651
Attn: Otelia Rice, FOCI Branch Chief

ARTICLE XVI—Inconsistencies with Other Documents

16.01. In the event that any resolution, regulation or bylaw of any of the Parties to the Agreement is found to be inconsistent with any provisions hereof, the terms of the Agreement shall control.

ARTICLE XVII—Governing Law; Construction

17.01. The Agreement shall be construed so as to comply with all applicable United States laws, regulations, and Executive Orders except that, to the extent not inconsistent with the right of the United States hereunder, the laws of the State of Delaware shall apply to questions concerning the rights, powers, and duties of the Cleared Corporation, the Shareholder, and CTI under, or by virtue of, the Agreement.

17.02. In all instances consistent with the context, nouns and pronouns of any gender shall be construed to include the other gender.

TERMINATION

ARTICLE XVIII—Termination, Amendment and Interpretations of the Agreement.

18.01. The Agreement may only be terminated by DSS as follows:

a. in the event of a sale of the business or all of the Shares of the Cleared Corporation to a company or person not under FOCI;

b. when the existence of the Agreement is no longer necessary to maintain a facility security clearance for the Cleared Corporation.

c. when the continuation of a facility security clearance for the Cleared Corporation is no longer necessary;

d. when there has been a breach of the Agreement that requires it to be terminated; or when DoD otherwise determines that termination is in the national interest;

e. when the Shareholder and the Cleared Corporation for any reason and at any time, petition DSS to terminate this Agreement; however, DSS has the right to receive full disclosure of the reason or reasons therefor, and has the right to determine, in its sole discretion, whether such petition should be granted.

18.02. If DoD determines that this Agreement should be terminated for any reason, DSS shall provide the Cleared Corporation and the Shareholder with thirty (30) days written advance notice of its intent and the reasons therefor.

18.03. DoD may only refuse to terminate this Agreement when continuance is necessary in the interest of the national security of the United States.

18.04. The Agreement may be amended by an agreement in writing executed by all parties.

18.05. The Proxy Holders are authorized to consult with the Shareholder concerning any proposed amendments to, or termination of this Agreement. Documentation concerning such consultations shall be prepared and retained by the Proxy Holders for inspection by DSS.

18.06. The Parties to the Agreement agree that any questions concerning interpretations of the Agreement, or whether a proposed activity is permitted under the Agreement, shall be referred to DoD for resolution.

18.07. This Agreement may also be terminated at any time by the Cleared Corporation or Shareholder by delivering written notice of termination to DSS and the other parties hereto (i) if its continued existence is no longer necessary to maintain the Cleared Corporation's facility security clearance; or (ii) if the continuation of the facility security clearance of the Cleared Corporation is no longer necessary for the conduct of the Cleared Corporation's business, provided thirty (30) days written notice is given to DSS and DSS approves.

18.08. Unless extended in accordance with the law applicable hereto, this Agreement shall terminate without action of or notice by the Proxy Holders, the Cleared Corporation, or Shareholder ten (10) years from the date hereof.

ARTICLE XIX—Actions Upon Termination of the Agreement

19.01. Upon termination of the Agreement in any manner as above provided, the restrictive legend affixed to the certificates representing the Shares will be removed.

19.02. The DSS shall furnish the Cleared Corporation and the Shareholder with written notice of the termination of this Agreement.

19.03. Upon termination of the Agreement, all further obligations or duties of the Proxy Holders under the Agreement shall cease.

ARTICLE XX—Place of Filing

20.01.Upon execution and until the termination of the Agreement, one original counterpart shall be filed at the principal office of the Cleared Corporation, located in Reston, Virginia.

EXECUTION

ARTICLE XXI—Execution

21.01. The Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of such counterparts shall together constitute but one and the same instrument. All Parties to this Agreement are entitled to retain an executed counterpart of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have duly executed the Agreement which shall not become effective until duly executed by the DoD.

[Witnessed]	By	/s/ DAVID WORTHLEY	Date	3/29/01
Signature of Witness/Date		David Worthley President & Chief Executive Officer		
		FOR COMVERSE INFOSYS TECHNOLOGY, INC.		
[Witnessed]	By	/s/ DAN BODNER	Date	5/04/01
Signature of Witness/Date		Dan Bodner President & Chief Executive Officer		
		FOR COMVERSE INFOSYS INC.		
[Witnessed]		/s/ GENERAL ROBERT T. MARSH (RET.)	Date	3/30/01
Signature of Witness/Date		General Robert T. Marsh (ret.)		
		PROXY HOLDER		
[Witnessed]		/s/ GENERAL ROBERT W. BAZLEY (RET.)	Date	3/29/01
Signature of Witness/Date		General Robert W. Bazley (ret.)		
		PROXY HOLDER		
[Witnessed]		/s/ JOHN J. WELCH, JR.	Date	3/29/01
Signature of Witness/Date		John J. Welch, Jr.		
		PROXY HOLDER		
[Witnessed]		/s/ DAVID KREINBERG	Date	5/3/01
Signature of Witness/Date		David Kreinberg		
		FOR COMVERSE TECHNOLOGY, INC.		
[Witnessed]	By	/s/ VALERIE L. HEIL	Date	5/21/01
Signature of Witness/Date		Valerie L. Heil Deputy Director for Policy, Defense Security Service		
		FOR THE DEPARTMENT OF DEFENSE		

Effective Date 5/21/01
(Date of DSS signature)

PROXY HOLDER CERTIFICATE

Pursuant to the provisions of the National Industrial Security Program Operating Manual and the proposed Proxy Agreement among Comverse Technology, Inc., Comverse Infosys Inc. and the proxy holders for the stock of Comverse Infosys Technology, Inc., under which I will be one of the proxy holders, the following assurances are provided:

I am a United States citizen currently residing within the United States, capable of assuming full responsibility for voting the stock of Comverse Infosys Technology, Inc., and exercising the management prerogative relating thereto in such a way as to insure that Comverse Infosys Inc., and any of its parent companies will be effectively insulated from Comverse Infosys Technology, Inc., the cleared facility.

20 I agree to be processed for a personnel security clearance to the same level as the Comverse Infosys Technology, Inc., facility clearance. I understand that my personnel clearance must be maintained while serving as a proxy holder for Comverse Infosys Inc.

30 I am a completely disinterested individual with no prior involvement with either Comverse Infosys Technology, Inc. or any of its affiliates or the Comverse Infosys Inc. or any of its affiliates, other than any prior involvement as a Proxy Holder.

40 I fully understand the functions and the responsibilities of a proxy holder under the proposed proxy agreement and I am willing to accept those responsibilities.

Signed:	/s/ ROBERT T. MARSH
Dated:	3/30/01

Witness: [Witnessed]

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Exhibit 10.9

VERINT SYSTEMS INC. STOCK INCENTIVE COMPENSATION PLAN

Amended as of , 2002

(formerly Comverse Infosys, Inc. Stock Option Plan)

1. *Purpose.*

The purpose of this Stock Incentive Compensation Plan (the "Plan") is to induce key personnel, including employees, directors, independent contractors, and other persons rendering valued services, to remain in the employ or service of Verint Systems Inc. (the "Company"), and its present and future subsidiary corporations, sister and parent corporations, and other affiliated companies (each of which is hereinafter referred to as an "Affiliate"), to attract new personnel and to encourage such personnel to secure or increase on reasonable terms their stock ownership in the Company. The Board of Directors of the Company (the "Board") believes that the granting of options (the "Options"), stock appreciation rights (the "SARs"), restricted stock and deferred stock awards (collectively, the Options, the SARs, restricted stock and deferred stock are referred to as "Awards") under the Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Company by those who are or may become primarily responsible for shaping and carrying out the long range plans of the Company and securing its continued growth and financial success. Options granted hereunder are intended to be either (a) "incentive stock options" (which term, when used herein, shall have the meaning ascribed thereto by the provisions of Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code")) or (b) options which are not incentive stock options or (c) a combination thereof, as determined by the Committee (the "Committee") (referred to in Section 5 hereof) at the time of the grant thereof.

2. *Effective Date of the Plan.*

The Plan became effective on September 10, 1996, by resolution of the Board, subject to ratification of the Plan by the vote of the holders of a majority of the outstanding shares of the common stock of the Company present in person or by proxy at the 1996 Annual Meeting of Shareholders of the Company. The Plan was amended on May 5, 1999, February 1, 2001, and by this amendment on , 2002.

3. *Stock Subject to Plan.*

Twenty-five million (25,000,000) of the authorized but unissued shares of the Company's common stock, par value $.001 per share (the "Common Stock") are hereby reserved for issuance pursuant to Awards granted hereunder; provided, however, that the number of shares so reserved may from time to time be reduced to the extent that a corresponding number of issued and outstanding shares of the Common Stock are purchased by the Company and set aside for issuance pursuant to Awards. If any Awards expire or terminate for any reason without having been exercised in full, the outstanding shares subject thereto shall again be available for the purposes of the Plan.

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4. *Administration.*

The Plan shall be administered by the Committee referred to in Section 5 hereof. If a Committee shall not be so established, the Board shall perform the duties and functions ascribed herein to the Committee. Subject to the express provisions of the Plan, the Committee shall have complete authority, in its discretion, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Award agreements (which need not be identical), to determine the individuals (the "Participants") to whom and the times and the prices at which Awards shall be granted, to establish the option periods, the number of shares of the Common Stock to be subject to each Award, whether each Award shall be exercisable or otherwise vest immediately or in installments and, if in installments, the time and size thereof, whether each Option shall be an incentive stock option or an Option which is not an incentive stock option, and to make all other determinations necessary or advisable for the administration of the Plan. In making such determinations, the Committee may take into account the nature of the services rendered by the respective Participants, their present and potential contributions to the success of the Company and the Subsidiaries and such other factors as the Committee, in its discretion, shall deem relevant. The Committee's determination on all of the matters referred to in this Section 4 shall be conclusive.

5. *Committee.*

The Committee shall consist of at least three individuals who may, but need not, be members of the Board and all of whom shall be "disinterested persons" within the meaning of Rule 16b-3(c)(2)(i) promulgated under the Securities Exchange Act of 1934, as amended (the "34 Act"). The Committee shall be appointed by the Board, which may at any time and from time to time remove any member of the Committee, with or without cause, appoint additional members of the Committee and fill vacancies, however caused, in the Committee. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held. If at any time no Committee has been appointed, the Board shall act as the Committee.

6. *Eligibility.*

A. An Option that is an incentive stock option may be granted only to key employees of the Company or an Affiliate.

B. An Option that is not an incentive stock option and other Awards may be granted to key employees of the Company or an Affiliate, non-employee directors and to independent contractors rendering services to the Company or an Affiliate.

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7. *Options.* Options give a Participant the right to purchase a specified number of shares of Common Stock, Deferred Stock or Restricted Stock (as selected by the Committee) from the Company for a specified time period at a fixed price. Options granted to Participants who are Employees may be either

incentive stock options or Options not intended to qualify as incentive stock options. Option granted to Participants who are not employees shall be Options not intended to qualify as incentive stock options. The grant of Options shall be subject to the following terms and conditions:

A. The initial per share option price of any Option which is an incentive stock option shall not be less than the Fair Market Value, defined below, of a share of the Common Stock on the date of grant; provided, however, that, in the case of a Participant who owns more than 10% of the total combined voting power of the Common Stock at the time an incentive stock option is granted to him, the initial per share option price shall not be less than 110% of the fair market value of the Common Stock.

B. The initial per share option price of any Option which is not an incentive stock option shall not be less than $0.001.

C. Participants shall be granted Options for such term as the Committee shall determine, not in excess of ten (10) years from the date of the granting thereof; provided, however, that in the case of a Participant who owns more than 10% of the total combined voting power of the Common Stock at the time an Option which is an incentive stock option is granted to him, the term with respect to such Option shall not be in excess of five (5) years from the date of the granting thereof.

D. The aggregate fair market value (determined at the date of grant) of the shares of the Common Stock for which any Participant may be granted incentive stock options which are exercisable for the first time in any calendar year (whether under the terms of the Plan or any other stock option plan of the Company) shall not exceed $100,000. To the extent that any Option which is intended to be an incentive stock option fails to satisfy the requirements of this Section, the Option shall be treated as an Option which is not an incentive stock option. This Section shall be applied by taking Options into account in the order in which they are granted.

E. For the purposes hereof, the "Fair Market Value" of a share of the Common Stock on any date shall be equal to (i) in the case of Options granted effective upon completion of an initial public offering of the Common Stock, the initial public offering price of such Common Stock, and (ii) in all other cases, the closing sale price of a share of the Common Stock as published by a national securities exchange on which the shares of the Common Stock are traded on such date or, if there is no sale of the Common Stock on such date, the average of the bid and asked prices on such exchange at the close of trading on such date or, if the shares of the Common Stock are not listed on a national securities exchange on such date, the closing price in the over the counter market, or if the Common Stock is not traded on a national securities exchange or the over the counter market, the fair market value of a share of the Common Stock on such date as shall be

determined in good faith by the Committee in compliance with Section 422(b)(4) of the Code and the applicable regulations promulgated thereunder.

F. Options granted to employees of and consultants to the Company or any Affiliate shall become exercisable at such times and in such installments as the Committee shall determine at the time of the grant thereof.

G. Except as hereinbefore otherwise set forth, or as set forth in the applicable Award agreement, an Option may be exercised either in whole or in part at any time or from time to time.

H. An Option may be exercised only by a written notice of intent to exercise such Option with respect to a specified number of shares of the Common Stock and payment to the Company of the amount of the option price for the number of shares of the Common Stock so specified; provided, however, that, if the Committee shall in its sole discretion so determine at the time of the grant of any Option, all or any portion of such payment may be made in kind by the delivery of shares of the Common Stock having a Fair Market Value (as determined in the manner set forth in paragraph E of Section 7 hereof) on the date of delivery equal to the portion of the option price so paid; provided, however, that any such determination shall not result in other than "fixed" accounting for purposes of the Company's financial accounting.

I. No Option intended to qualify as an incentive stock option shall be transferable otherwise than by will or the laws of descent and distribution and, during the lifetime of the Participant, shall be exercisable only by the Participant. Upon the death of a Participant, the person to whom the rights have passed by will or by the laws of descent and distribution may exercise an Option intended to qualify as an incentive stock option only in accordance with this Section 7.

8. *Deferred Stock.*

An Award of Deferred Stock is an agreement by the Company to deliver to the recipient a specified number of shares of Common Stock at the end of a specified deferral period or periods. Such an Award shall be subject to the following terms and conditions:

A. Deferred Stock Awards shall be evidenced by Deferred Stock agreements. Such agreements shall conform to the requirements of the Plan and may contain such other provisions as the Committee shall deem advisable.

B. Upon determination of the number of shares of Deferred Stock to be awarded to a Participant, the Committee shall direct that the same be credited to the Participant's account on the books of the Company but that issuance and delivery of the same shall be deferred until the date or dates provided in Section 8(E) hereof. Prior to issuance and delivery hereunder the Participant shall have no rights as a stockholder with respect to any shares of Deferred Stock credited to the Participant's account.

C. Amounts equal to any dividends declared during the Deferral Period with respect to the number of shares covered by a Deferred Stock Award will be paid to the Participant currently, or deferred and deemed to be reinvested in additional Deferred Stock, or otherwise reinvested on such terms as are determined at the time of the Award by the Committee, in its sole discretion, and specified in the Deferred Stock agreement.

D. The Committee may condition the grant of an Award of Deferred Stock or the expiration of the Deferral Period upon the Participant's achievement of one or more performance goal(s) specified in the Deferred Stock agreement. If the Participant fails to achieve the specified performance goal(s), either the Committee shall not grant the Deferred Stock Award to the Participant or the Participant shall forfeit the Award and no Common Stock shall be transferred to him pursuant to the Deferred Stock Award. Unless otherwise determined by the Committee at the time of an Award, dividends paid during

the Deferral Period on Deferred Stock subject to a performance goal shall be reinvested in additional Deferred Stock and the lapse of the Deferral Period for such Deferred Stock shall be subject to the performance goal(s) previously established by the Committee.

E. The Deferred Stock agreement shall specify the duration of the Deferral Period taking into account termination of employment on account of death, disability, retirement or other cause. The Deferral Period may consist of one or more installments. At the end of the Deferral Period or any installment thereof the shares of Deferred Stock applicable to such installment credited to the account of a Participant shall be issued and delivered to the Participant (or, where appropriate, the Participant's legal representative) in accordance with the terms of the Deferred Stock agreement. The Committee may, in its sole discretion, accelerate the delivery of all or any part of a Deferred Stock Award or waive the deferral limitations for all or any part of a Deferred Stock Award.

9. *Restricted Stock.*

An Award of Restricted Stock is a grant by the Company of a specified number of shares of Common Stock to the Participant, which shares are subject to forfeiture upon the happening of specified events. Such an Award shall be subject to the following terms and conditions:

A. Restricted Stock shall be evidenced by Restricted Stock agreements. Such agreements shall conform to the requirements of the Plan and may contain such other provisions as the Committee shall deem advisable.

B. Upon determination of the number of shares of Restricted Stock to be granted to the Participant, the Committee shall direct that a certificate or certificates representing the number of shares of Common Stock be issued to the Participant with the Participant designated as the registered owner. The certificate(s) representing such shares shall be legended as to sale, transfer, assignment, pledge or other encumbrances during the restriction period and deposited by the Participant, together with a stock power endorsed in blank, with the Company, to be held in escrow during the restriction period.

C. Unless otherwise determined by the Committee at the time of an Award, during the restriction period the Participant shall have the right to receive dividends from and to vote the shares of Restricted Stock.

D. The Committee may condition the grant of an Award of Restricted Stock or the expiration of the restriction period upon the Participant's achievement of one or more performance goal(s) specified in the Restricted Stock Agreement. If the Employee fails to achieve the specified performance goal(s), either the Committee shall not grant the Restricted Stock to the Participant or the Participant shall forfeit the Award of Restricted Stock and the Common Stock shall be forfeited to the Company.

E. The Restricted Stock agreement shall specify the duration of the restriction period and the performance, employment or other conditions (including termination of employment on account of death, disability, retirement or other cause) under which the Restricted Stock may be forfeited to the Company. At the end of the restriction period the restrictions imposed hereunder shall lapse with respect to the number of shares of Restricted Stock as determined by the Committee, and the legend shall be removed and such number of shares delivered to the Participant (or, where appropriate, the Participant's legal representative). The Committee may, in its sole discretion, modify or accelerate the vesting and delivery of shares of Restricted Stock.

10. *Stock Appreciation Rights.*

SARs are rights to receive a payment in cash, Common Stock, Restricted Stock or Deferred Stock (as selected by the Committee) equal to the increase in the Fair Market Value of a specified number of shares of Common Stock from the date of grant of the SAR to the date of exercise. The grant of SARs shall be subject to the following terms and conditions:

A. SARs shall be evidenced by SAR agreements. Such agreements shall conform to the requirements of the Plan and may contain such other provisions as the committee shall deem advisable. A SAR may be granted in tandem with all or a portion of a related Option under the Plan ("Tandem SAR"), or may be granted separately ("Freestanding SAR"). A Tandem SAR may be granted either at the time of the grant of the Option or at any time thereafter during the term of the Option and shall be exercisable only to the extent that the related Option is exercisable. In no event shall any SAR be exercisable within the first six (6) months of its grant.

B. The base price of a Tandem SAR shall be the option price under the related Option. The base price of a Freestanding SAR shall be not less than 100% of the Fair Market Value of the Common Stock, as determined by the Committee, on the date of grant of the Freestanding SAR.

C. A SAR shall entitle the recipient to receive a payment equal to the excess of the Fair Market Value of the shares of Common Stock covered by the SAR on the date of exercise over the base price of the SAR. Such payment may be in cash, shares of

Common Stock, shares of Deferred Stock, shares of Restricted Stock or any combination, as the Committee shall determine. Upon exercise of a Tandem SAR as to some or all of the shares of Common Stock covered by the grant, the related Option shall be canceled automatically to the extent of the number of shares of Common Stock covered by such exercise, and such shares shall no longer be available for purchase under the Option pursuant to Section 7. Conversely, if the related Option is exercised as to some or all of the shares of Common Stock covered by the Award, the related Tandem SAR, if any, shall be canceled automatically to the extent of the number of shares of Common Stock covered by the Option exercise.

D. SARs shall be subject to the same terms and conditions applicable to Options as stated in Section 7 above.

11. *Transferability of Awards.*

Except as provided above, Awards may not be pledged, assigned or transferred for any reason during the Participant's lifetime, and any attempt to do so shall be void and the relevant Award shall be forfeited. The Committee may grant Awards (except Incentive Stock Options) that are transferable by the Participant during his or her lifetime, but such Awards shall be transferable only to the extent specifically provided in the agreement entered into with the Participant. The transferee of the Participant shall, in all cases, be subject to the provisions of the agreement between the Company and the Participant.

12. *Termination of Employment.*

A. Except as otherwise determined by the Committee, in the event a Participant leaves the employ or service of the Company or any Affiliate for any reason other than death, retirement or disability (as such term is defined in Section 22(e) of the Code), whether voluntarily or otherwise, each Award theretofore granted to him which shall not have expired or otherwise been canceled shall, to the extent it is exercisable on the date of such termination of employment or service and to the extent it shall not have theretofore been exercised or become unexercisable, terminate upon the earlier to occur of (i) the expiration of a period of ninety (90) days after such termination of employment or service or (ii) the date specified in said Award.

B. In the event a Participant's employment or service with the Company or any Affiliate terminates by reason of his death, each Award theretofore granted to him which shall not have expired or otherwise been canceled shall, to the extent it is exercisable on the date of such Participant's death and to the extent it shall not have theretofore been exercised or become unexercisable, terminate upon the earlier to occur of (i) the expiration of a period of one year after such Participant's death or (ii) the date specified in said Award.

C. In the event a Participant's employment or service with the Company or any Affiliate terminates by reason of his retirement, whether voluntarily or as may be

required by any pension plan, or by reason of his disability (as such term is defined in Section 22(e) of the Code), each Award theretofore granted to him which shall not have expired or otherwise been canceled shall become immediately exercisable in full and shall, to the extent it shall not have theretofore been exercised or become unexercisable, terminate upon the earlier to occur of (i) the expiration of ninety (90) days after the date of such Participant's retirement or disability or (ii) the date specified in said Award.

D. The Committee or the Board may in its discretion extend the period during which an Option held by any employee of or consultant to the Company or any Affiliate may be exercised to such period, not to exceed three years following the termination of a Participant's employment or service with the Company or any Affiliate, as the Committee or the Board may determine to be appropriate in any particular instance.

13. *Adjustments Upon a Change in Control*

A. Except as otherwise provided in an applicable agreement, upon the occurrence of a Change in Control (other than a Hostile Change of Control), the Committee may elect to provide that all outstanding Options and Stock Appreciation Rights shall immediately vest and become exercisable, each Deferral Period and restriction period shall immediately lapse or all shares of Deferred Stock subject to outstanding Awards shall be issued and delivered to the Participant. In the event of a Hostile Change in Control, each of the foregoing actions shall occur automatically upon the occurrence of such Hostile Change in Control. At any time before a Change in Control, the Committee may, without the consent of any Participant, (i) require the entity effecting the Change in Control or a parent or subsidiary of such entity to assume each outstanding Award or substitute an equivalent option therefor or (ii) terminate and cancel all outstanding Awards upon the Change in Control and pay the Participant cash equal to the product of (x) the difference between the Fair Market Value of Common Stock on the date of the Change in Control and the exercise price of such Option and (y) the number of shares of Common Stock subject to such Award. For the purposes of this Section, an Award shall be considered assumed if, following the merger, the award confers the right to purchase, for each share of Common Stock subject to the Award immediately prior to the merger, the consideration (whether stock, cash, or other securities or property) received in the merger by holders of Common Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger was not solely common stock of the successor corporation or its parent, the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award, for each share of Common Stock subject to the Award, to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger.

B. "Change in Control" means (i) the Board (or, if approval of the Board is not required as a matter of law, the shareholders of the Company) shall approve (a) any consolidation or merger of the Company in which the Company is not the continuing or

surviving corporation or pursuant to which shares of Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of Common Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (b) any sale, lease, exchange or other transfer (on one transaction or a series of related transactions) of all, or substantially all, the assets of the Company or (c) the adoption of any plan or proposal for the liquidation or dissolution of the Company; (ii) any person (as such term is defined in Section 13(d) of the 1934 Act), corporation or other entity other than the Company shall make a tender offer or exchange offer to acquire any Common Stock (or securities convertible into Common Stock) for cash, securities or any other consideration, provided that (a) at least a portion of such securities sought pursuant to the offer in question is acquired and (b) after consummation of such offer, the person, corporation or other entity in question is the "beneficial owner" (as such term is defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of 20% or more of the outstanding shares of Common Stock (calculated as provided in paragraph (d) of such Rule 13d-3 in the case of rights to acquire Common Stock); (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board ceased for any reason to constitute a majority thereof unless the election, or the nomination for election by the Company's stockholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or (iv) the occurrence of any other event the Committee determines shall constitute a "Change in Control" hereunder.

C. "Hostile Change in Control" means any Change in Control described in Section 13(B) above that is not approved or recommended by the Board.

14. *Adjustment of Number of Shares.*

A. In the event that a dividend shall be declared upon the Common Stock payable in shares of the Common Stock, the number of shares of the Common Stock then subject to any Award and the number of shares of the Common Stock reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Award shall be adjusted by adding to each share the number of shares which would be distributable thereon if such share had been outstanding on the date fixed for determining the shareholders entitled to receive such stock dividend. In the event that the outstanding shares of the Common Stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, whether through reorganization, recapitalization, stock split-up, combination of shares, sale of assets, merger or consolidation, then, there shall be substituted for each share of the Common Stock then subject to any Award and for each share of the Common Stock reserved for issuance in accordance with the provisions of the Plan but not

yet covered by an Award, the number and kind of shares of stock or other securities into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchanged; provided, however, that, in the event of a merger or consolidation in which the Company is not the surviving corporation or of a sale by the Company of all or substantially all of its assets to a corporation not controlled by the Company (within the

meaning of Section 1563(a)(1) of the Code) immediately prior to such transaction, the Board determines, in its discretion, that such change or exchange cannot be effected or would be inappropriate, then, each Option theretofore granted to a Participant which shall not have expired or otherwise been canceled shall become immediately exercisable in full and shall terminate upon the later to occur of (i) the expiration of thirty (30) days following notice to the Participant by the Company of such merger, consolidation or sale, or (ii) the date of such merger, consolidation or sale.

B. In the event that there shall be any change, other than as specified in this Section 14, in the number or kind of outstanding shares of the Common Stock, or of any stock or other securities into which the Common Stock shall have been changed, or for which it shall have been exchanged, then, if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the number or kind of shares then subject to any Award and the number or kind of shares reserved for issuance in accordance with the provisions of the Plan but not yet covered by an Award, such adjustment shall be made by the Committee and shall be effective and binding for all purposes of the Plan and of each Award agreement entered into in accordance with the provisions of the Plan.

C. In the case of any substitution or adjustment in accordance with the provisions of this Section 14, the option price in each stock option agreement for each share covered thereby prior to such substitution or adjustment shall be the option price for all shares of stock or other securities which shall have been substituted for such share or to which such share shall have been adjusted in accordance with the provisions of this Section 14. No adjustment or substitution provided for in this Section 14 shall require the Company to sell a fractional share under any stock option agreement.

15. *Purchase for Investment and Waivers.*

Unless the shares to be issued upon the exercise of an Option or other Award by a Participant shall be registered prior to the issuance thereof under the Securities Act of 1933, as amended, such Participant shall, as a condition of the Company's obligation to issue such shares, be required to give a representation in writing that he is acquiring such shares for his own account as an investment and not with a view to, or for sale in connection with, the distribution of any thereof.

16. *Amendment of Plan.*

The Board may at any time make such modifications of the Plan as it shall deem advisable; provided, however, that (i) the provisions hereof relating to the receipt of Options by directors of the Company who are not employees of the Company or any Affiliate, the exercise price and terms and conditions of the exercise thereof may not be amended more than once in any period of six (6) months, except as may be required to comply with changes in the Code or other applicable law, and (ii) the Board may not without further approval of shareholders representing a majority of the voting power present in person or by proxy at any special or annual meeting of shareholders increase

the number of shares of the Common Stock as to which Options may be granted under the Plan (as adjusted in accordance with the provisions of Section 14 hereof), or change the class of persons eligible to participate in the Plan or change the manner of determining the option prices which would result in a decrease in the price of Options or other Awards, or extend the period during which Awards may be granted or exercised. Except as otherwise provided in Section 17 hereof, no termination or amendment of the Plan may, without the consent of the Participant to whom any Option shall theretofore have been granted, adversely affect the rights of such Participant under such Option.

17. *Expiration and Termination of the Plan.*

The Plan shall terminate on March 10, 2012 or at such earlier time as the Board may determine. Awards may be granted under the Plan at any time and from time to time prior to its termination. Any Awards outstanding under the Plan at the time of the termination of the Plan shall remain in effect until such Awards shall have been exercised or shall have expired in accordance with its terms.

18. *Awards Granted in Connection with Acquisitions.*

In the event that the Committee determines that, in connection with the acquisition by the Company of another corporation which shall become an Affiliate of the Company (such corporation being hereinafter referred to as an "Acquired Affiliate"), Awards may be granted hereunder to key employees of an Acquired Affiliate in exchange for then outstanding options to purchase securities of the Acquired Affiliate, such Awards may be granted at such option prices, may be exercisable immediately or at any time or times either in whole or in part, may be granted without the requirement that the Participant enter into an agreement with the Company that he will remain in the employ or service of the Company or an Affiliate for any required period of time and may contain such other provisions not inconsistent with the Plan, or the requirement set forth in Section 16 hereof that certain amendments to the Plan must be approved by the shareholders of the Company, as the Committee, in its discretion, shall deem appropriate at the time of the granting of such Awards.

19. *Withholding.*

A. In connection with the transfer of shares of Common Stock as a result of the exercise or vesting of an Award or upon any other event that would subject the Participant to taxation, the Company shall have the right to require the Participant to pay an amount in cash or to retain or sell without notice, or to demand surrender of, shares of Common Stock in value sufficient to cover any tax, including any Federal, state or local income tax, required by any governmental entity to be withheld or otherwise deducted and paid with respect to such transfer ("Withholding Tax"), and to make payment (or to reimburse itself for payment made) to the appropriate taxing authority of an amount in cash equal to the amount of such Withholding Tax, remitting any balance to the employee. For purposes of this Section 19, the value of shares of Common Stock so retained or surrendered shall be the Fair Market Value on the date that the amount of the

Withholding Tax is to be determined (the "Tax Date"), and the value of shares of Common Stock so sold shall be the actual net sale price per share (after deduction of commissions) received by the Company.

B. Notwithstanding the foregoing, the Participant shall be entitled to satisfy the obligation to pay any Withholding Tax, in whole or in part, by providing the Company with funds sufficient to enable the Company to pay such Withholding Tax or by requiring the Company to retain or to accept upon delivery thereof shares of Common Stock (other than unvested Restricted Stock) sufficient in value (determined in accordance with the last sentence of the preceding paragraph) to cover the amount of such Withholding Tax. Each election by a Participant to have shares retained or to deliver shares for this purpose shall be subject to the following restrictions: (i) the election must be in writing and made on or prior to the Tax Date; and (ii) the election shall be subject to the disapproval of the Committee.

C. In the event of the death of a Participant, an additional condition of exercising any Option or other Award shall be the delivery to the Company of such tax waivers and other documents as the Committee shall determine.

20. *General.*

A. For purposes of this Plan, transfer of employment between the Company and its Affiliates shall not be deemed termination of employment.

B. With respect to Holders subject to Section 16 of the 1934 Act, transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the 1934 Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

C. Without amending the Plan, Awards may be granted to Participants who are foreign nationals or employed outside the United States or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to further the purpose of the Plan.

D. To the extent that Federal laws (such as the 1934 Act, or the Code) do not otherwise control, the Plan and all determinations made and actions taken pursuant hereto shall be governed by the corporate law of the State of Delaware and construed accordingly. The Plan is not intended to be an "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Exhibit 10.10

STOCK PURCHASE AGREEMENT

>THIS STOCK PURCHASE AGREEMENT, dated as of January 31, 2002 (the "*Agreement*"), is by and between COMVERSE, INC., a Delaware corporation ("*Purchaser*") and COMVERSE INFOSYS, INC., a Delaware corporation ("*Seller*").

W I T N E S S E T H:

WHEREAS, Seller is the holder of all the outstanding shares of capital stock of Comverse Media Holding Inc., a Delaware corporation ("*Media*", and such shares are referred to herein as the "*Media Shares*"); and

WHEREAS, the parties hereto had entered into an oral agreement that on February 1, 2001 (the "*Effective Date*") Seller would sell, and Purchaser would purchase, the Media Shares in consideration for an amount of $100,000, which was paid by a reduction in the outstanding principal amount of intercompany debt owed by Seller to Purchaser; and

WHEREAS, since the Effective Date Purchaser has operated the business and affairs of Media as the sole stockholder of Media and Seller has had no involvement in the business and affairs of Media; and

WHEREAS, Seller did not formally transfer the Media Shares to Purchaser on the Effective Date, and Seller and Purchaser now wish to effect the formal transfer of the Media Shares to Purchaser and to confirm in writing their oral agreement referred to above.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 *Definitions.* For purposes of this Agreement, the following terms shall have the meanings set forth below:

"*Business Day*" shall mean a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"*Code*" shall mean the United States Internal Revenue Code of 1986, as amended.

"*Encumbrances*" shall mean any and all mortgages, security interests, liens, claims, pledges, restrictions (including restrictions on transfer), leases, title

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exceptions, easements, rights of way, rights of first refusal, charges or other encumbrances.

"*Person*" shall mean an individual, corporation, limited liability company, partnership, trust or unincorporated organization or a government or any agency or political subdivision thereof.

"*Securities Act*" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"*Subsidiary*" shall mean, with respect to any Person, (i) each corporation, partnership, joint venture or other legal entity of which such Person owns, either directly or indirectly, more than 50% 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 similar governing body of such corporation, partnership, joint venture or other legal entity, (ii) each partnership in which such Person or another Subsidiary of such Person is the general or managing partner and (iii) each limited liability company in which such Person or another Subsidiary of such Person is the managing member or otherwise controls (by contract, through ownership of membership interests or otherwise).

"*Third Party*" shall mean any Person other than Seller, Purchaser and Media.

1.2 *Other Definition Provisions.*

(a) 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.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(c) The terms "dollars" and "$" shall mean United States dollars.

(d) The term "including" shall be deemed to be immediately followed by the term "but not limited to."

ARTICLE II
CONFIRMATION OF THE PURCHASE AND SALE OF MEDIA SHARES

2.1 *Purchase and Sale of Media Shares.* Purchaser and Seller hereby confirm that the transfer of all of the burdens, benefits, obligations and incidents of ownership of the Media Shares was effected as of the Effective Date in consideration for a reduction in the outstanding principal amount of intercompany debt owed by Seller to Purchaser. In furtherance thereof, on the date of this Agreement, the parties hereto shall make the deliveries set forth below in Section 2.2.

2.2 *Deliveries.* On the date hereof, Seller shall deliver to Purchaser certificates representing the Media Shares, registered in the name of Seller, together with stock powers executed in blank by Seller. The parties acknowledge and agree that the Media Shares will not be registered under the Securities Act and, accordingly, certificates representing such securities will contain legends to that effect.

2.3 *Transfer of Ownership.* It is the intention of the parties that all of the burdens, benefits, obligations and incidents of ownership of the Media Shares were absolutely and unconditionally transferred from Seller to Purchaser as of the Effective Date.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller makes the following representations and warranties to Purchaser as of the Effective Date and as of the date hereof:

3.1 *Corporate Existence.* Each of Seller and Media is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, with all requisite power and authority to enable it to own, lease and operate its assets and properties and to conduct its business as currently being conducted, and is qualified and in good standing to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties owned or leased by it requires such qualification, except where the failure to be so qualified and in good standing does not and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Seller or Media, as applicable.

3.2 *Corporate Power; Authorization; Enforceable Obligations.* Seller has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller, and constitutes the legal, valid and binding obligation of Seller, and is enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and to general principles of equity.

3.3 *Capitalization.* The authorized capital stock of Media consists of 100 shares of capital stock, par value $.01 per share, of which 100 shares are issued and outstanding, all of which are validly issued, fully paid and nonassessable and none of which are held in the treasury of Media. Other than the Media Shares being sold hereunder to Purchaser, no shares of the capital stock or other securities of Media are issued or outstanding, or reserved for any purpose. There are no options, warrants, convertible or exchangeable securities or other rights (including pre-emptive, tag-along, right of first refusal, buy-sell, repurchase, redemption, registration or similar rights),

agreements, arrangements or commitments of any kind obligating or which could obligate Media to grant, issue or sell, or obligating or which could obligate Seller to sell, transfer or otherwise dispose of, any shares of capital stock of Media to any Person other than Purchaser. Media has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote or that are convertible into or exercisable for securities having the right to vote with the stockholders of Media on any matter. There are no voting trusts, stockholders' agreements or other agreements or understandings with respect to the voting of Media capital stock.

3.4 *Ownership of Media Shares.* Seller holds of record, subject to the rights of Purchaser hereunder, all of the Media Shares, free and clear of any Encumbrances (other than any restrictions under the Securities Act and state securities laws). The Media Shares have not been issued in violation of any pre-emptive rights, other rights or obligations, or any term or condition created by statute, the certificate of incorporation, by-laws or other organizational document of Media, or any contract to which Media is a party or by which it is bound.

Except as expressly set forth in this Article III, Seller makes no other representations or warranties, express or implied, to Purchaser in connection with this Agreement.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser makes the following representations and warranties to Seller as of the Effective Date and as of the date hereof:

4.1 *Corporate Existence.* Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with all requisite power to enable it to own, lease and operate its assets and properties and to conduct its business as currently being conducted, and is qualified and in good standing to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties owned or leased by it requires such qualification, except where the failure to be so qualified and in good standing does not and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on Purchaser.

4.2 *Corporate Power; Authorization; Enforceable Obligations.* Purchaser has all requisite corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of Purchaser and is enforceable against Purchaser, in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium or similar laws affecting creditors' rights generally and general principles of equity.

4.3 *Investment Representations.*

(a) *Purchaser Bears Economic Risk.* Purchaser has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to Media and it is capable of evaluating the merits and risks of its investment in Media and has the capacity to protect its own interests. Purchaser must bear the economic risk of this investment indefinitely unless the Media Shares are registered pursuant to the Securities Act, or an exemption from registration is available. Purchaser understands that Media has no present intention of registering the Media Shares. Purchaser also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow Purchaser to transfer all or any portion of the Media Shares under the circumstances, in the amounts or at the times Purchaser might propose.

(b) *Acquisition for Own Account.* Purchaser is acquiring the Media Shares for Purchaser's own account for investment only, and not with a view towards their distribution.

(c) *Purchaser Can Protect Its Interest.* Purchaser represents that by reason of its, or of its management's, business or financial experience, Purchaser has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement.

(d) *Accredited Investor.* Purchaser represents that it is an accredited investor within the meaning of Regulation D under the Securities Act.

(e) *Rule 144.* Purchaser acknowledges and agrees that the Media Shares must be held indefinitely unless it is subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser has been advised or is aware of the provisions of Rule 144 promulgated under the Securities Act as in effect from time to time, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things: (i) the availability of certain current public information about Media, (ii) the resale occurring following the required holding period under Rule 144 and (iii) the number of shares being sold during any three-month period not exceeding specified limitations.

Except as expressly set forth in this Article IV, Purchaser makes no other representations or warranties, express or implied, to Seller in connection with this Agreement.

ARTICLE V
INDEMNIFICATION

5.1 *Survival of Representations and Warranties.* All representations and warranties contained in this Agreement and all claims with respect thereto shall survive the completion of the transaction of purchase and sale contemplated hereby.

5.2 *Indemnification.* (a) Seller shall indemnify Purchaser, its Subsidiaries, and each of their directors, officers, employees, agents, successors and assigns (each, a "Purchaser Indemnitee", and collectively, the "Purchaser Indemnitees") in respect of, and hold the Purchaser Indemnitees harmless against, any and all damages, liabilities, judgements, fines, fees, penalties, interest obligations, deficiencies, losses and expenses, including amounts paid in settlement, interest, court costs, reasonable costs of investigation, reasonable fees and expenses of attorneys, accountants, financial advisors, engineers and other expenses, and other expenses of litigation (collectively, "Damages") incurred or suffered by the Purchaser Indemnitees arising out of, resulting from, or in any way related to, (i) the untruth, inaccuracy or breach of any representation or warranty of Seller contained in this Agreement, or (ii) any breach, nonfulfillment or failure to perform any agreement or covenant of Seller contained in this Agreement.

(b) Purchaser shall indemnify Seller, its Subsidiaries, and each of their directors, officers, employees, agents, successors and assigns (each a "Seller Indemnitee", and collectively the "Seller Indemnitees") in respect of, and hold the Seller Indemnitees harmless against, any and all Damages incurred or suffered by the Seller Indemnitees arising out of, resulting from, or in any way related to, (i) the untruth, inaccuracy or breach of any representation or warranty of Purchaser contained in this Agreement, (ii) any breach, nonfulfillment or failure to perform any agreement or covenant of Purchaser contained in this Agreement, (iii) Purchaser's ownership of the Media Shares, Purchaser's control of Media and the conduct of the business and affairs of Media and its Subsidiaries since the Effective Date and (iv) any claims that are made by any Person against Seller or any other Seller Indemnitee concerning Purchaser's ownership or control of Media since the Effective Date or the conduct of the business and affairs of Media and its Subsidiaries since the Effective Date.

5.3 *Indemnification Procedures.*

(a) *Third Party Claims.* If Purchaser, on behalf of any Purchaser Indemnitee, or Seller, on behalf of any Seller Indemnitee, seeks to be indemnified pursuant to this Article V (in each case, an "Indemnified Party"), it shall give prompt written notification to the party against whom indemnification is sought (the "Indemnifying Party") of the assertion of any Third Party claim or commencement of any action, suit or proceeding relating to a Third Party claim for which indemnification pursuant to this Article V may be sought, but the failure of an Indemnified Party to give prompt notice to the Indemnifying Party shall not affect the rights of the Indemnified Party to indemnification hereunder, except if (and then only to the extent that) the Indemnifying Party incurs additional expenses or the Indemnifying Party is actually

prejudiced by reason of such failure to give timely notice. The Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such claim, action, suit or proceeding with counsel reasonably satisfactory to the Indemnified Party; provided that the Indemnifying Party acknowledges in writing, and in form and substance acceptable, to the Indemnified Party that any damages, fines, costs, judgements or other liabilities that may be assessed against the Indemnitee in connection with such action, suit or proceeding constitute Damages for which the Indemnified Party shall be entitled to indemnification pursuant to this Article V; and provided, further, that (x) Purchaser shall have the right to control the defense and settlement negotiations to the extent of any claim or demand seeking equitable relief or remedial action on the part of a Purchaser Indemnitee and (y) Seller shall have the right to control the defense and settlement negotiations to the extent of any claim or demand seeking equitable relief or remedial action on the part of a Seller Indemnitee. If the Indemnifying Party does not so assume control of such defense, the Indemnified Party shall control such defense. The party not controlling such defense may participate therein at its own expense; provided that if the Indemnifying Party assumes control of such defense and the Indemnified Party reasonably concludes that the Indemnifying Party and the Indemnified Party have a conflict of interest or different defenses available with respect to such action, suit or proceeding, the reasonable fees and expenses of counsel to the Indemnified Party shall be considered "Damages" for purposes of this Agreement. The party controlling such defense shall keep the other party advised of the status of such action, suit or proceeding and the defense thereof and shall consider in good faith recommendations made by the other party with respect thereto. The Indemnified Party shall not agree to any settlement of such claim, action, suit or proceeding

without the prior written consent of the Indemnifying Party. The Indemnifying Party shall not agree to any settlement of such action, suit or proceeding without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld.

(b) *Direct Claims.* With respect to claims other than Third Party claims, the Indemnified Party shall use reasonable efforts promptly to notify in writing the Indemnifying Party of such claims, but the failure of the Indemnified Party so to give notice to the Indemnifying Party shall not affect the rights of the Indemnified Party to indemnification hereunder, except if (and then only to the extent that) the Indemnifying Party incurs additional expenses or the Indemnifying Party is actually prejudiced by reason of such failure to give timely notice.

ARTICLE VI
GENERAL PROVISIONS

6.1 *Further Assurances.* Each of the parties hereto shall execute such documents and other instruments and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and consummate and evidence the transactions contemplated hereby or, at and after the date hereof, to evidence the consummation of the transactions contemplated by this Agreement. Upon the terms and subject to the conditions hereof, each of the parties hereto shall take or cause to be taken

all actions and to do or cause to be done all other things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings.

6.2 *Announcements.* Neither Seller nor Purchaser will issue any press release or otherwise make any public statement with respect to this Agreement and the transactions contemplated hereby without the prior written consent of the other, except as may be required by any law or regulation (including, without limitation, pursuant to the U.S. federal securities laws) or rules of the NASDAQ National Market, in which event the party required to make the release or announcement shall allow the other party reasonable time, in light of the circumstances, to comment on such release or announcement in advance of such issuance.

6.3 *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without reference to choice of law principles, including all matters of construction, validity and performance.

6.4 *Notices.* All notices, requests, permissions, waivers, and other communications hereunder shall be in writing and shall be deemed to have been duly given, (a) five Business Days following sending by registered mail, postage prepaid, (b) when sent if sent by facsimile during the normal business hours of the recipient, or one Business Day after the date sent if sent by facsimile after the normal business hours of the recipient, *provided* that the sending party receives written confirmation that the facsimile has been successfully transmitted to the intended recipient, (c) when delivered, if delivered personally to the intended recipient and (d) one Business Day following sending by overnight delivery via a national courier service, and in each case, addressed to a party at the following address for such party:

(i) If to Seller, to:

Comverse Infosys, Inc.
234 Crossways Park Drive
Woodbury, New York 11797
Attention: President and Chief Executive Officer
Facsimile No.: (516) 677-7399

(ii) If to Purchaser, to:

Comverse, Inc.
100 Quannapowitt Parkway
Wakefield, Massachusetts 01880
Attention: Legal Department
Facsimile No.: (781) 224-8144

Such names and addresses may be changed by notice given in accordance with this Section 6.4.

6.5 *Entire Agreement.* This Agreement contains the entire understanding of the parties hereto and thereto with respect to the subject matter contained herein and therein, and supersedes and cancels all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, respecting such subject matter. There are no restrictions, promises, representations, warranties, agreements or undertakings of any party hereto with respect to the transactions contemplated by this Agreement other than those set forth herein.

6.6 *Headings; References.* The article, section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All references herein to "Articles" or "Sections" shall be deemed to be references to Articles or Sections hereof unless otherwise indicated.

6.7 *Counterparts.* This Agreement may be executed in multiple counterparts and each counterpart shall be deemed to be an original, but all of which shall constitute one and the same original.

6.8 *Parties in Interest; Assignment.* Neither this Agreement nor any of the rights, interest or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other party. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective

successors and permitted assigns. Except as set forth in Article V, nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies under or by reason of this Agreement.

6.9 *Severability; Enforcement.* The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, each party agrees that a court of competent jurisdiction may enforce such restriction to the maximum extent permitted by law, and each party hereby consents and agrees that such scope may be judicially modified accordingly in any proceeding brought to enforce such restriction.

6.10 *Specific Performance.* The parties hereto agree that the remedy at law for any breach of this Agreement will be inadequate and that any party by whom this Agreement is enforceable shall be entitled to specific performance in addition to any other appropriate relief or remedy. Such party may, in its sole discretion, apply to a court of competent jurisdiction for specific performance or injunctive or such other relief as such court may deem just and proper in order to enforce this Agreement or prevent any violation hereof and, to the extent permitted by applicable law, each party waives any objection to the imposition of such relief.

6.11 *Jurisdiction.* Each party to this Agreement hereby irrevocably agrees that any legal action, suit or proceeding arising out of or relating to this Agreement, shall be brought in the United States District Court for the Southern District of New York or the Supreme Court of the State of New York and each party hereto agrees not to assert, by way of motion, as a defense or otherwise, in any such action, suit or proceeding any claim that it is not subject personally to the jurisdiction of such court, that the action, suit or proceeding is brought in an inconvenient forum, that the venue of the action, suit or proceeding is improper or that this Agreement, or the subject matter hereof or thereof may not be enforced in or by such court. Each party hereto further and irrevocably submits to the jurisdiction of such court in any action, suit or proceeding.

6.12 *Waiver.* Failure at any time to enforce or require performance of any of the provisions hereof shall in no way be construed to be a waiver of such provision or to affect the validity of this Agreement or any part thereof or the right of either party thereafter to enforce each provision in accordance with the terms of this Agreement.

6.13 *Broker Fees.* Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this Section 6.13 being untrue.

6.14 *Expenses.* The parties shall each bear their own expenses incurred in connection with the negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby, it being understood that in no event shall Media bear any of such costs and expenses.

[STOCK PURCHASE AGREEMENT SIGNATURE PAGE]

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

COMVERSE, INC.

By: /s/ DAVID KREINBERG

Name: David Kreinberg
Title: Vice President

COMVERSE INFOSYS, INC.

By: /s/ DAN BODNER

Name:Dan Bodner
Title: President and Chief Executive Officer

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Exhibit 10.11

AGREEMENT

Entered into this 1 day of 07, 2001 by and among

COMVERSE INFOSYS LTD, a company organized under the laws of the State of Israel with its offices at 23 Habarzel St., Tel-Aviv, Israel and/or its subsidiaries or affiliates ("Comverse"); and

COMVERSE INFOSYS (SINGAPORE) PTE LTD, a company organized under the laws of the Republic of Singapore, with its offices at , Singapore (the "Company").

WHEREAS Comverse develops, manufactures and markets products for digital recording, monitoring and processing telecommunication signals, and provides related services; and

WHEREAS the Company is a partially owned subsidiary of Comverse, established under the name Pacific Links Technologies Pte Ltd., which sells and supports certain of Comverse' products in Singapore, Brunei and Myanmar; and

WHEREAS the parties wish to extend the Company's activities so that the Company shall serve as a non-exclusive distributor of additional Comverse' products, pursuant to the terms and conditions of this Agreement;

NOW THEREFORE, in consideration of the promises and of the mutual covenants and obligations hereinafter set forth, the parties hereto agree as follows:

1. General Scope of the Agreement

1.1 This Agreement set forth the relationship between the parties in the following areas and services to be provided to Comverse by the Company:

(a) Distribution of CCD Products;

(b) Furnish of office facilities and employee services;

(c) Pass-through services;

1.2 The services provided by the Company shall be independent from each other.

2. Distribution of CCD Products by the Company

2.1 The Company is hereby appointed as a non-exclusive distributor of Comverse CCD Products in Singapore. "**CCD Products"** shall mean the products manufactured by the Call Center Division (CCD) of Comverse, as listed in **Exhibit A,** all as may be available from time to time by Comverse.

2.2 The Company shall be entitled to a discount from the prices published in Comverse' end-user APAC price list, as they shall be from time to time, on purchase of CCD Products from Comverse under this Agreement. The rate of discount shall be agreed upon in writing between the parties from time to time. At the date of this Agreement the rate of discount is detailed in **Exhibit C** hereto. In any event, all end user prices must be approved by Comverse.

2.3 The payment terms which shall apply to the purchase of the CCD Products are detailed in Exhibit C hereto. The delivery terms of the CCD Products shall be DDU Singapore, as defined in Incoterms 2000.

2.4 The Company shall hire and employ a dedicated sales account manager who will be responsible for the promotion and marketing of the CCD Products in Singapore. In the event a sale is made through Comverse' sales personnel, the Company will support the pre-sales activities and will report to Comverse' CCD, regional manager for South East Asia.

2.5 The Company shall provide Comverse on a quarterly basis with a rolling twelve (12) month forecast of its future requirements of CCD Products, which will be approved by Comverse ("Annual

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Quota"). Such Annual Quotas shall not bind or commit any of the parties for themselves, except that Comverse may rely on such forecasts in preparing to meet shipment requirements of CCD Products.

2.6 The Company will take all reasonable efforts to enter into after-warranty service contracts (either full service or on a per call basis) with its customers concerning the CCD Products. The Company will enter into a relevant service agreement with Comverse for every service contract with its customers in accordance with Comverse' support service policy as shall be from time to time, in consideration detailed in Exhibit C.

2.7 Comverse reserves the right to appoint any other person or entity as a distributor of the CCD Products in Singapore, as it deems appropriate.

3. Furnish of Office Facilities and Employee Services

3.1 The Company shall provide office space and secretarial assistance to Comverse in the Company's main office in Singapore, as well as appropriate space for demos room, meetings, warehouse and storage space; Comverse shall pay the Company a monthly sum of S$1,500 (fifteen hundred Singapore Dollar) for the office and secretarial assistance provided by the Company at the date of this Agreement. Any change in the scope of office space and secretarial assistance shall be agreed on from time to time by the parties.

3.2 Upon request of Comverse, at its discretion, the Company shall employ personnel on behalf of Comverse ("Comverse Personnel"), on the terms and conditions of employment, and total employment cost as provided by Comverse. Comverse shall pay the Company the Comverse Personnel salary and social benefits costs, and shall reimburse the Company other out of pocket employment expenses incurred by the Company directly as a result of the employment of the Comverse Personnel. The Comverse Personnel shall report in administrative matters to the general manager of the Company, and in professional matters to the relevant Comverse employees.

3.3 Comverse may, at its discretion, discontinue any of the services provided by the Company in accordance to this Section 5, upon a 90 (ninety) days written notice to the Company.

4. Intentionally Deleted.

5. General Responsibilities of the Company as a Distributor

In addition to all other rights and obligations set forth in this Agreement, as long as the Company serves as a distributor to the CCD Products, the Company shall, at its sole cost and expense:

5.1 Provide competent technical support services, including installation services for the CCD Products to the Company's customers, as is required from a distributor of Comverse.

5.2 Maintain at all times sufficient stock to meet and supply reasonable estimated demand and a stock of spare parts and accessories sufficient for its maintenance and service obligations hereunder.

5.3 Use its best efforts to promote, advertise, sell and market the CCD Products in Singapore, including in pre-sales activities such as presentations, demonstrations, training seminars, preparing proposals, and such other activities as shall be agreed by the parties from time to time.

5.4 Obtain and maintain any and all import and business licenses or permits required in Singapore in connection with the Company's activities hereunder and comply with all necessary governmental approvals, licenses, permits and consents in connection with the importation, sale and use of the CCD Products as are or may be promulgated by authorized governmental authorities and required in order to carry out the terms of this Agreement.

5.5 Report to Comverse on a quarterly basis on the Company's marketing potential, trends and forecasts, competition, marketing techniques, current developments in Singapore changes of regulations governing the sale of Products in therein and amounts of Products sold by the Company; and

5.6 Provide Comverse promptly with customer comments and follow-up information and furnish Comverse with copies of documentation and correspondence relating to technical support and sale of the Products.

5.7 The Company will send its technical and sales personnel to participate in periodic technical an d sales training seminars at Comverse as will be agreed by the parties from time to time, but at least twice a year. The Company will bear the cost of travel and living expenses of its employees during such seminars.

6. Responsibilities of Comverse

In addition to its other rights and obligations set forth in this Agreement, Comverse shall:

6.1 Promptly accept and confirm or reject, as appropriate, all orders and make every reasonable effort to deliver the CCD Products, as set forth in orders made by the Company pursuant to the terms of this Agreement.

6.2 Promptly respond to the Company's requests for information regarding the Products and/or their availability.

6.3 Provide the Company with complete sales and technical information for the products and keep the Company informed of all specification changes, and supply the Company, for its own use, without charge, sufficient copies of marketing, sales and technical information, literature, brochures, catalogues, application and engineering data, price lists and such other information and sale aids as required by the Company for the Company to solicit the sales of the CCD Products.

7. Scope and Limitations of Authority

7.1 This Agreement does not create an agency, joint venture or partnership between Comverse and the Company. The Company shall operate under this Agreement only as an independent distributor and a technical support representative of Comverse and not as a principal.

7.2 Neither party shall have the authority to act for or bind the other in any way, to execute agreements on behalf of the other or to represent that either party is in any way responsible for the acts or omissions of the other, unless specifically agreed otherwise in writing.

8. Confidential Information

Comverse has already made available to the Company and will continue to make available to the Company from time to time information, data, and material of a proprietary nature, of technical, business and financial nature. Such information is considered as confidential ("Confidential Information"). The Company shall use such Confidential Information only to the extent necessary to carry out the terms of this Agreement, and shall not disclose Confidential Information to others or otherwise use the Confidential Information without the prior written consent of Comverse. The Company shall treat the Confidential Information with the same degree of care as it would exercise in handling its own confidential or proprietary information, but in no event less than reasonable care, and may disclose the Confidential Information to any person including employees, consultants and/or contractors and/or potential and actual customers, only on a "need to know basis' and provided such person or entity is bound by a like obligation of confidentiality. Upon termination or cancellation of this Agreement for any reason, all such data, proprietary information and Confidential Information of

Comverse shall be immediately returned by the Company to Comverse and the limitations and undertakings specified in this paragraph shall survive such termination and shall remain in effect.

9. Proprietary Rights

9.1 The Company acknowledges and agrees that all proprietary rights in the Products, including but not limited to patents, copyrights and trademarks, are and shall remain at all times the exclusive property of Comverse.

9.2 Comverse hereby grants the Company a limited, non-transferable, non-exclusive and personal license (without the right to sublicense), valid during the term of this Agreement only, to use the Trademarks in the Territory, solely in connection with the Company's marketing and promoting the Products and fulfilling its obligations under the terms of this Agreement and in connection with related advertising therefore. For the purpose of this Agreement, "Trademarks" mean the trademarks, trade names and/or service marks specified in **Exhibit B** and any other name, mark or logo from time to time adopted and/or acquired and owned by Comverse, in connection with the CCD Products, whether registered as trademarks or service marks in the Territory or not.

9.3 The Company shall not remove or alter the Trademarks affixed to any units of the Products in any manner. The Company shall not have or acquire any right, title or interest including good-will in the Trademarks, either used alone or in conjunction with other words or names, or in the good will thereof, and shall not use any such Trademarks without the express written consent of Comverse. The Company shall not affix to any units of the Product any other trademarks or other marks, unless specifically agreed to in writing by Comverse.

9.4 Upon termination of this Agreement for any reason, the Company shall immediately return to Comverse all advertising sales or promotional material containing Trademarks, and shall refrain from any future use of the Trademarks.

10. Term

This Agreement shall be effective from the date of its execution between both parties and will remain in effect for a period of three (3) years thereafter, unless terminated in accordance with the provisions of Section 11 herein. Thereafter, the Agreement shall be automatically renewed for additional periods of one year each (each one year period an "Extended Term"), until either party gives a written notice of non-renewal at least 90 days prior to the beginning of any Extended Term, or until terminated as provided in Section 11 herein.

11. Termination

11.1 Either party may terminate this Agreement:

11.1.1 By a 30 days written notice to the other party if it breaches a material term of this Agreement and such breach is not remedied to other party's satisfaction within such 30 days notice period. For the purpose of this Section 11.1.1 a breach of Sections 3.1, 3.2, 5.1, 5.4, 8, 9 or 11, as well as a breach of any other section which substantially adversely effect the performance of this Agreement, shall be deemed a material breach of the Agreement.

11.1.2 Immediately if the other party becomes insolvent or unable to pay its obligations when they become due or sells all or substantially all of its capital stock or assets to a third party;

11.1.3 Immediately if the other party files petitions for reorganization under bankruptcy laws or is adjudicated a bankrupt, or if a receiver is appointed for it, or if it makes an assignment for the benefit of creditors, or if an involuntary bankruptcy petition is brought against it and has not been discharged within thirty (30) days of the date brought.

11.2 *Partial Termination.* In addition to Section 11.1 above, Comverse may, at its sole discretion, elect to terminate only the relevant service or appointment the provisions of which the Company had not complied with, whether or not such breach was material as defined above, in the following manner:

11.2.1 Comverse may, by a 30 days written notice as forth in Section 11.1.1, terminate only the appointment of the Company as a distributor of the CCD Products (set forth in Section 2) in the event that the Company has breached a specific obligation concerning the distribution of the CCD Products or did not achieve the Annual Quota during any year of the term of this Agreement. In the event of such partial termination the applicable terms and provisions of this Agreement shall terminate.

11.2.2 In the event that Comverse had terminated the appointment of the Company as a distributor of the CCD Products (set forth in Section 2), the Company shall not be entitled to continue to use the Trademarks as listed in Exhibit B, including the Company's name, other than as shall explicitly be permitted by Comverse following such termination.

11.3 *Effect of Termination*

11.3.1 Upon termination or expiration of this Agreement in whole or in part, as the case may be, the Company shall immediately thereafter refrain from presenting itself as a representative, distributor or provider of technical support services of Comverse or of the Products, as applicable.

11.3.2 Termination of this Agreement, in whole or in part, by either party for any reason shall not effect the rights and obligations of the parties accrued prior to the effective date of termination of this Agreement.

11.3.3 No termination of this Agreement, however, shall release the parties hereto from their rights and obligations under Sections 8, 9, 10 and 11.3.

12. Miscellaneous Provisions

12.1 *Force Major.* Either party shall be excused from any delay or failure in performance hereunder caused by causes beyond its control. If such delaying cause shall continue for more than ninety (90) days, the party injured by the inability of the other to perform shall have the right, upon written notice to the other party, to terminate this agreement.

12.2 *Entire Agreement.* This Agreement constitutes the entire agreement and understanding between the parties with respect to the subject matter contained herein and supersedes all prior agreements, oral or written, between the parties. Any amendment hereto must be in writing and signed by an authorized representative of Comverse and the Company.

12.3 *Notices.* All notices and requests required or authorized hereunder, shall be given in writing either by personal delivery to the party to whom the notice is to be given, by certified mail, addressed to the party intended at its address set forth above, or by facsimile. Notice shall be effective at the date of delivery in case of personal delivery, the date of the facsimile transmission, provided the receipt of the notice was confirmed by the other party in case of such facsimile transmission, or five days following the date upon which it is deposited for registered mail delivery, addressed to the party intended at its address set forth above.

12.4 *Waivers.* The failure or waiver of either party to require performance of any provision of this Agreement shall not affect the right to subsequently require the performance of such or any other provision of this Agreement and shall not constitute a waiver of any subsequent breach of that provision or any subsequent breach of any other provision of this Agreement.

12.5 *Settlement of Disputes.* The parties agree that any dispute arising out of the execution or performance of this Agreement which shall not be resolved in good faith by the parties, shall be settled in accordance with the settlement of the dispute sections in the Joint Venture Agreement executed on February 2, 1998, between the Company's founding shareholders.

[Signature page to follow]

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

COMVERSE INFOSYS LTD.	**COMVERSE INFOSYS (SINGAPORE) PTE LTD.**
By: Ady Meretz	By: /s/ Stewart Yen
Title: V.P. General Manager Asia Pacific	Title: Chairman

EXHIBIT A—CCD PRODUCTS

ULTRA™ products.

EXHIBIT B—TRADEMARKS

COMVERSE
COMVERSE TECHNOLOGY
COMVERSE INFOSYS
COMVERSE NETWORK SYSTEMS
INFOSYS
RELIANT
STAR GATE
AUDIO DISK
ULTRA.
ULTRA SELECT

EXHIBIT C—CCD Terms of Payment/ Commission

A. General

The parties plan to have three types of sales of CCD Products in Singapore within the framework of this Agreement, as defined below. Each kind of sale shall entail different kind of obligations upon the Company and shall entitle the Company to a different commission and payment terms, as defined below:

1. Complete sale by the Company as a distributor ("**Company Sale**"). This kind of sale is defined as a sale made in its entirety by the Company, with a full time sales person of the Company engaged in this activity. In a Company Sale the Company shall be granted a discount of 40% from the price paid by the

end customer (provided that such end user price was approved by Comverse). The Company shall pay to Comverse thirty percent (30%) of the Purchase Price within thirty (30) days following the acceptance of the Purchase Order by Comverse. The balance of the Purchase Price shall be paid to Comverse in accordance with the terms of payment agreed between the Company and the respective Customers in which such ordered Products are sold. The Company shall notify Comverse of such payment terms in the Purchase Order. The delivery terms of the CCD Products shall be DDU Singapore, as defined in Incoterms 2000.'

The Responsibilities of the Company in a Company Sale shall be: Sale, payment terms with end customer, Installation, Marketing and sales activities, Warranty first year service, after Warranty service, first and second level support, Demo facility, spare parts, trainings etc...

2. A sale made by and through Comverse sales personnel in Singapore (currently Manish Shah) ("**Comverse Sale**"). In a Comverse Sale the Company shall be entitled to 15% from the price paid by end customer. The purchase order in the Comverse Sale will be made through the Company to Comverse and Comverse will pay back to the Company 15% of the price actually paid by end customer to Comverse as the payment to the Company. The Company shall transfer the payments from end customer to Comverse within 7 days after they are received by the Company, and Comverse will pay back to the Company 15% of each such payment 7 days after its receipt by Comverse. All payments will be made against applicable invoices.

   The Responsibilities of the Company in a Comverse Sale shall be: Sale support, Installation, Warranty first year service, first and second level support.

3. A sale through a local distributor in Singapore (such as Radiance) and Comverse ("**Distributor Sale**"). In a Distributor Sale the Company and the Distributor shall be entitled together to a discount of 40% from the APAC price list. The share of the discount between the Distributor and the Company will be coordinated and approved by Comverse on a case by case basis, in accordance with the responsibilities defined for each side in each specific Distributor Sale.

   The Payment method in the Distributor Sale will be as in the Comverse sale, with only the Company's share of discount paid to the company as mentioned above in this paragraph.

In the event service contracts shall be made with customers of Comverse Sale, the orders of such contracts will be handled and executed by the Company directly, and the Company shall pay Comverse a commission of 20% of these orders.

B. Spare Parts

The Company shall be responsible, at is own cost and expense, for maintaining and providing spare parts to the end users from the day the Product was supplied by Comverse, except in a Comverse Sale; in a Comverse Sale, Comverse will be responsible for providing, at its expense, spare parts during the end customer warranty period. After the end of the warranty period the Company will assume responsibility for the spare parts in a Comverse Sale as well.

C. Out of Singapore Technical Support

The Company shall provide first and second level support services outside of Singapore in accordance with CCD needs, with Coordination with the Company. The payment for this activity will be based on travel and lodging expenses plus the day support price for the period of travel, which at the date of this Agreement is 600 S$.

D. Amendments

Any amendments or changes to this Exhibit C and the fees set forth here in shall be made only with the approval of Comverse' CCD General Manager of Asia Pacific.

Exhibit 10.12

BUSINESS OPPORTUNITIES AGREEMENT

THIS BUSINESS OPPORTUNITIES AGREEMENT dated as of March 19, 2002 (this "Agreement"), by and between Verint Systems Inc., a Delaware corporation (the "Corporation"), and Comverse Technology, Inc., a New York corporation ("Comverse").

W I T N E S S E T H:

WHEREAS, Comverse is the holder of a majority of the outstanding shares of common stock, par value $.001 per share, of the Corporation ("Common Stock"); and

WHEREAS, certain directors, officers and/or employees of Comverse may from time to time also serve as directors and/or officers of the Corporation; and

WHEREAS, such directors and/or officers of the Corporation may from time to time encounter business opportunities or transactions in which both the Corporation and Comverse may have a reasonable expectation or interest; and

WHEREAS, the parties desire to enter into an agreement which provides for the allocation of such business opportunities and transactions between the parties.

NOW, THEREFORE, in consideration of the premises and the mutual obligations, covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 *Definitions.* For purposes of this Agreement, the following capitalized terms shall have the meanings set forth below:

"Affiliate" shall mean, with respect to any given Person, any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For purpose of this Agreement the term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Board" shall mean the Board of Directors of the Corporation.

"Claims" means any and all claims, demands, causes of action, liabilities, losses, costs, damages, and expenses of any kind or nature whatsoever, in law or in equity (including attorneys' fees and costs), and irrespective of whether any such claims or matters arise out of common law, contract, tort, strict liability, violation of statutory laws, or regulations, or any other theory or basis.

"Comverse Designee" shall mean any director, officer or employee of any Comverse Party who also serves as a director or officer of any Corporation Party.

"Comverse Party" shall mean Comverse or any of its Affiliates (other than any Person that is a Corporation Party).

"Corporation Party" shall mean the Corporation and any Person controlled by the Corporation, whether or not such Person is also controlled by any Comverse Party.

"Disinterested Director" shall mean any director of the Corporation who is not a director, officer or employee of any Comverse Party.

"Person" shall mean a natural person, a corporation, a limited liability company, a joint stock company, a partnership, a limited partnership, a joint venture, a trust, an estate, an unincorporated organization, association, agency or any other entity.

1.2 *Chairman or Vice Chairman of a Corporation Party.* For purposes of this Agreement, a director of any Corporation Party who is Chairman or Vice Chairman of the Board of Directors of such Corporation Party or any committee thereof shall not be deemed to be an officer of such Corporation Party by reason of holding such position (regardless of whether such position is deemed an office of the Corporation Party under such Corporation Party's By-laws), unless such person is a full-time employee of such Corporation Party.

ARTICLE II
CONDUCT OF BUSINESS

2.1 *Conduct of Comverse's Business.* Subject to the provisions of Section 3.1(a)(2), unless otherwise agreed in writing between Comverse and the Corporation, a Comverse Party shall have the right to, and shall not have a duty not to, (i) engage in the same or similar business activities or lines of business as any Corporation Party engages in, (ii) do business with any potential or actual customer or supplier of any Corporation Party and (iii) employ or otherwise engage, or solicit for such purpose, any director, officer or employee of a Corporation Party. No Comverse Party and no director, officer, employee or agent of any Comverse Party, whether or not such Person is also a director, officer, employee, agent or shareholder of a Corporation Party, shall be liable to any Corporation Party or its stockholders for breach of any fiduciary or other duty that such Person may have by reason of any Comverse Party undertaking any activity permitted in this Section 2.1.

ARTICLE III
CORPORATE OPPORTUNITIES

3.1 *Allocation of Opportunities Relating to Both Parties.*

(a) The parties agree that in determining whether any business opportunity or transaction shall belong to Comverse or the Corporation for the purposes of this Agreement, the following rules shall apply:

(1) If such business opportunity or transaction was offered to an individual who is an officer or employee of a Comverse Party (whether or not a director) and who is not an officer or employee of a Corporation Party and (whether or not a director of a Corporation Party), then such business opportunity or transaction shall belong to Comverse;

(2) If such business opportunity or transaction was offered to an individual who is an officer or employee (whether or not a director) of a Corporation Party and who is not an officer or employee of a Comverse Party (whether or not a director of a Comverse Party), then such business opportunity or transaction shall belong to the Corporation; and

(3) If such business opportunity or transaction was offered to any other individual who is (i) an officer or employee of a Corporation Party and an officer or employee of a Comverse Party or (ii) a director of both a Corporation Party and a Comverse Party but not an officer or employee of any such party, then such business opportunity or transaction shall belong to Comverse.

(b) The provisions of this Section 3.1 shall not apply to any business transaction or opportunity which the parties agree in writing shall be excluded from the provisions of this Section 3.1, provided that such agreement is approved by a majority of the Disinterested Directors or otherwise in accordance with the Delaware General Corporation Law or any other applicable law; provided, further, however, that no presumption or implication shall arise from the existence or absence of such

agreement as to whether any other business opportunity or transaction not explicitly covered by such agreement is excluded from the provisions of this Section 3.1.

3.2 *Other Opportunities Acquired by Comverse.* In the event that any director, officer or employee of a Comverse Party who is not also a director, officer or employee of a Corporation Party acquires knowledge of any business opportunity or transaction (including any business opportunity or transaction that by its nature may be in the line or lines of business of a Corporation Party), such Comverse Party shall have no duty to communicate or present such business opportunity or transaction to any Corporation Party and shall not be liable to any Corporation Party or its stockholders for breach of any fiduciary or other duty that such Comverse Party may have as a stockholder of the Corporation or otherwise by reason of the fact that such Comverse Party pursues or acquires such business opportunity or transaction for itself, directs such business opportunity or transaction to another Person or does not present such business opportunity to any Corporation Party.

3.3 *Other Obligations; Failure to Pursue an Opportunity.* Any business opportunity or transaction that belongs to either Comverse or the Corporation pursuant to this Agreement shall not be pursued by the other, or directed by the other to another Person, unless and until Comverse or the Corporation, as the case may be, determine not to pursue such opportunity. Notwithstanding anything herein to the contrary, if the party to whom a business opportunity or transaction belongs pursuant to this Agreement does not within a reasonable period of time begin to pursue, or thereafter continue to pursue, such business opportunity or transaction diligently and in good faith, the other party may then pursue such business opportunity or transaction or direct it to another Person.

3.4 *Agreements Respecting Opportunities.* Nothing herein shall prohibit one or more Corporation Parties and one or more Comverse Parties from entering into any contract, agreement, arrangement or transaction involving a business opportunity, provided that such contract, agreement, arrangement or transaction is approved in accordance with the Delaware General Corporation Law or any other applicable law. Any such contract, agreement, arrangement or transaction not so approved shall not by reason thereof result in any breach of any fiduciary or other duty, but shall be governed by the Delaware General Corporation Law or any other applicable law.

3.5 *Acknowledgment, Release and Indemnity.*

(a) The Corporation hereby (i) acknowledges and agrees that, except as provided in this Agreement, no Comverse Party shall have any obligation to offer a Corporation Party any business opportunity or transaction, (ii) renounces any interest or expectancy in any business opportunity or transaction pursued by a Comverse Party in accordance with this Agreement, and (iii) waives any claim that any such business opportunity or transaction pursued by a Comverse Party constitutes a corporate opportunity of a Corporation Party, unless such business opportunity was pursued by a Comverse Party in violation of this Agreement.

(b) The Corporation hereby acknowledges and agrees that any Comverse Party and any Comverse Designee that complies with the provisions of this Agreement relating to business opportunities or transactions (i) shall have fully satisfied and fulfilled any fiduciary or other duties such Person may have to such Corporation Party and their stockholders with respect to such business opportunity or transaction, (ii) shall not be liable to the Corporation Party or its stockholders for breach of any fiduciary or other duty by reason of the fact that any Comverse Party pursues or acquires such business opportunity or transaction for itself or directs such business opportunity or transaction to another Person or does not communicate information regarding such business opportunity or transaction to the Corporation Party, (iii) shall be deemed to have acted in good faith and in a manner such Person reasonably believes to be in and not opposed to the best interests of the Corporation Party and (iv) shall be deemed not to have breached any duty of loyalty or other duty such Person may have to the Corporation Party or its stockholders and not to have derived an improper benefit therefrom.

(c) The Corporation acknowledges and agrees that with respect to any business opportunity or transaction not specifically belonging to the Corporation pursuant to this Agreement, a Comverse Party may pursue such business opportunity or transaction and conduct the business related thereto without any obligation to offer it to a Corporation Party. The Corporation acknowledges and agrees that in such case, to the extent that a court might hold that the pursuit of

such business opportunity or transaction or the conduct of any other activity permitted hereunder is a breach of any standard of care, a duty of loyalty, or other duty owed to the Corporation (and without admitting that the pursuit of such opportunity or the conduct of such activity is such a breach of any such standard or duty), the Corporation hereby fully and irrevocably renounces, releases and waives, to the extent permitted by applicable law, any interest or expectancy in such business opportunity or transaction or permitted activity pursued by a Comverse Party pursuant to this Agreement and any and all Claims that the Corporation or any Person claiming by, through, or under the Corporation may have to claim that such business opportunity or transaction is a corporate opportunity of the Corporation or that the pursuit by a Comverse Party of any such business opportunity or transaction or the conduct of such activity permitted hereunder is a breach of any standard of care, duty of loyalty, or other duty owed to the Corporation (including, to the extent permitted by applicable law, any and all Claims arising either directly or derivatively, and whether brought by, through, or under the Corporation, or by any stockholder, creditor, subsidiary or Affiliate of the Corporation).

(d) The Corporation, for itself and its successors and assigns, hereby agrees to indemnify, defend, and hold harmless, to the extent permitted by applicable law, Comverse and its predecessors and successors in interest, and all of Comverse's and its respective predecessors and successors in interests' respective Affiliates, stockholders, directors, officers, employees, agents, attorneys, servants, invitees, contractors, licensees, legal representatives, successors, and assigns, from any and all such Claims relating to the subject matter hereof that may be asserted (i) by any Person whomsoever claiming by, through, or under the Corporation or (ii) by any successors of the Corporation. It is the express intention of the Corporation that, to the extent permitted by applicable law, the indemnity to Comverse herein provided covers any such Claims asserted by, through, or under the Corporation, notwithstanding that such Persons are not signatories to this Agreement, and whether or not the release provisions are directly enforceable against any Persons who are not signatories to this Agreement. This indemnity applies for the benefit of Comverse regardless of whether such claims are based in whole or in part upon the alleged partial or sole negligence or strict liability of Comverse (or its predecessors or successors in interest, or Comverse' or its respective predecessors or successors in interests' respective Affiliates, stockholders, directors, officers, employees, agents, attorneys, servants, invitees, contractors, licensees, legal representatives, successors, and assigns), but shall not apply in the case of bad faith, willful misconduct or breach of this Agreement by a Comverse Party or any director, officer or employee of a Comverse Party or any other indemnified party. The renunciations, waivers and agreements herein apply equally to activities to be conducted in the future and activities that have been conducted in the past.

3.6 *Other Conduct.* Any conduct by any Comverse Party or any of its directors, officers, employees or agents in connection with the affairs of such Comverse Party, and any conduct of any Comverse Designee, that does not comply with this Agreement shall not by reason thereof void a transaction or make it voidable or be deemed a breach of any fiduciary or other duty that may be owed to any Corporation Party but shall be governed by the Delaware General Corporation Law or any other applicable law.

ARTICLE IV
TERM

4.1 *Term.* This Agreement shall expire on the first day on which all Comverse Parties no longer beneficially own Common Stock representing at least 20 percent (20%) of the combined voting power

of outstanding shares of Common Stock of the Corporation and no person who is a director or officer of a Corporation Party is also a director, officer or employee of a Comverse Party.

ARTICLE V
MISCELLANEOUS

5.1 *Amendments; Waivers.* This Agreement may not be amended, changed, supplemented, waived or otherwise modified or terminated, except upon the execution and delivery of a written agreement executed by the parties hereto. The failure of any party hereto to exercise any right, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy or to demand such compliance.

5.2 *Entire Agreement.* This Agreement constitutes the entire agreement between the parties hereto pertaining to its subject matter, and supersedes and replaces all prior agreements and understandings of the parties in connection with such subject matter.

5.3 *Notices.* All notices and other communications hereunder shall be given in writing and delivered personally, by registered or certified mail (postage prepaid, return receipt requested), by overnight courier (postage prepaid), facsimile transmission or similar means, to the party to receive such notices or communications at the address set forth below (or such other address as shall from time to time be designated by such party to the other parties in accordance with this Section 5.3):

If to the Corporation, to:
Verint Systems Inc.
234 Crossways Park Drive
Woodbury, New York 11797
Telecopier: (516) 677-7399
Attention: President and Chief
Executive Officer

If to Comverse, to:
Comverse Technology, Inc.
170 Crossways Park Drive
Woodbury, New York 11797
Telecopier: (516) 677-7355
Attention: Senior Counsel

All such notices and communications hereunder shall be deemed given when received, as evidenced by the signed acknowledgment of receipt of the person to whom such notice or communication shall have been personally delivered, the acknowledgment of receipt returned to the sender by the applicable postal authorities, the confirmation of delivery rendered by the applicable overnight courier service, or the confirmation of a successful facsimile transmission of such notice or communication.

5.4 *Governing Law.* THE PARTIES HERETO AGREE THAT EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREUNDER.

5.5 *Assignment; Binding Effect.* No party hereto shall have the right to assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party hereto; and any purported assignment of this Agreement or any of the rights or obligations of a party hereunder without such consent shall be deemed to be null and void ab initio. The terms and

conditions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their successors and permitted assigns.

5.6 *No Partnership.* No term or provision of this Agreement shall be construed to establish any partnership, agency, or joint venture relationship between the parties hereto.

5.7 *Invalidity.* Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. If any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

5.8 *Headings.* The headings in this Agreement are for convenience of reference only and are not intended to be a part of this Agreement or to affect the meaning or interpretation of this Agreement.

5.9 *Counterparts.* This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one agreement.

[SIGNATURE PAGE FOLLOWS]

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

VERINT SYSTEMS INC.

By: /s/ DAN BODNER

Name: Dan Bodner
Title: President and
Chief Executive Officer

COMVERSE TECHNOLOGY, INC.

By: /s/ DAVID KREINBERG

Name: David Kreinberg
Title: Chief Financial Officer

QuickLinks

Exhibit 10.13

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of , 2002 by and between VERINT SYSTEMS INC., a Delaware corporation (the *"Company"*), and (*"Indemnitee"*).

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly-held corporations as directors or in other capacities unless they are provided with adequate protection through insurance and/or indemnification against the risks of claims being asserted against them arising out of their service to and activities on behalf of such corporations; and

WHEREAS, the Board of Directors of the Company (the *"Board"*) has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company's stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future; and

WHEREAS, the Board has determined that, in order to help attract and retain qualified individuals as directors and in other capacities, the best interests of the Company and its stockholders will be served by attempting to maintain, on an ongoing basis, at the Company's sole expense, insurance to protect persons serving the Company and its subsidiaries as directors and in other capacities from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises for many years, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation; and

WHEREAS, the Board has determined that, in order to help attract and retain qualified individuals as directors and in other capacities, the best interests of the Company and its stockholders will be served by assuring such individuals that the Company will indemnify them to the maximum extent permitted by law; and

WHEREAS, the Amended and Restated Certificate of Incorporation (the *"Certificate of Incorporation"*) of the Company requires indemnification of the officers and directors of the Company, and Indemnitee may also be entitled to indemnification pursuant to the Delaware General Corporation Law (*"DGCL"*); and

WHEREAS, the Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of

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the Board, officers and other persons with respect to indemnification and the advancement of defense costs; and

WHEREAS, it therefore is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance defense costs on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate of Incorporation and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor shall it be deemed to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, the Board recognizes that the Indemnitee does not regard the protection available under the Company's Certificate of Incorporation and insurance program as adequate in the present circumstances, and may not be willing to serve or continue to serve as a director and/or in such other capacity as the Company may request without adequate protection, and the Company desires Indemnitee to serve in such capacity; and

WHEREAS, subject to agreement on other matters, Indemnitee is willing to serve, continue to serve, and take on additional service for or on behalf of the Company on the condition that he or she be indemnified as provided for herein.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. **Services to the Company.** Indemnitee will serve or continue to serve, at the will of the Company, as an officer, director or key employee of the Company for so long as Indemnitee is duly elected or appointed or until Indemnitee tenders his or her resignation.

2. **Definitions.** As used in this Agreement:

(a) A *"Change in Control"* shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) *Change in Board.* If during any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period are members of the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(a)(i), 2(a)(iii) or 2(a)(iv) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office (who either were directors at the beginning of such period or whose election or

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nomination for election was previously so approved), cease for any reason to constitute at least a majority of the members of the Board;

(ii) *Corporate Transactions.* If there is a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation *and* with the power to elect at least a majority of the board of directors or other governing body of such surviving entity;

(iii) *Liquidation.* If there is approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets; and

(iv) *Other Events.* If there occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

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

(c) *"Person"* shall have the meaning set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company and (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company.

(d) *"Beneficial Owner"* shall have the meaning given to such term in Rule 13d-3 issued under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(e) *"Corporate Status"* shall describe the status of a person who is or was a director, officer, trustee, partner, managing member, fiduciary, employee or agent of the Company or of any other Enterprise (as defined below), which such person is or was serving at the request of the Company.

(f) *"Disinterested Director"* shall mean a director of the Company who is not and was not a party to the Proceeding (as defined below) in respect of which indemnification is sought by Indemnitee.

(g) *"Enterprise"* shall mean any corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent.

(h) *"Expenses"* shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types and amounts customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding (as defined below). Expenses also shall include costs incurred in connection with any appeal resulting from any Proceeding (as defined below), including, without limitation, the premium, security for, and other costs relating to any bond, supersedeas bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(i) References to *"fines"* shall include any excise tax assessed on a person with respect to any employee benefit plan pursuant to applicable law; references to *"serving at the request of the Company"* shall include any service as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, trustee, partner, managing member, fiduciary, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and any action taken or omitted to be taken by a person for a purpose which he or she reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have been taken in "good faith" and for a purpose which is "not opposed to the best interests of the Company", as such terms are referred to in this Agreement and used in the DGCL.

(j) The term *"Proceeding"* shall include any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative or investigative nature, including any related appeal, in which Indemnitee was, is or will be involved as a party or witness or otherwise by reason of the fact that Indemnitee is or was a director, officer, trustee, partner, managing member, fiduciary, employee or agent of the Company, by reason of any action taken or not taken by him or her while acting as director, officer, trustee, partner, managing member, fiduciary, employee or agent of the Company, or by reason of the fact that he or she is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Agreement.

(k) *"Independent Counsel"* means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five (5) years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. **Indemnity in Third-Party Proceedings.** The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is made, or is threatened to be made, a party to or a participant in (as a witness or otherwise) any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified against all judgments, fines, penalties, amounts paid in settlement (including, without limitation, all interest, assessments and other charges paid or payable in connection with or in respect of any of the foregoing)

(collectively, *"Losses"*) and Expenses actually and reasonably incurred by Indemnitee or on his or her behalf in connection with such Proceeding or any action, discovery event, claim, issue or matter therein or related thereto, if Indemnitee acted in good faith, for a purpose which he or she reasonably believed to be in or, in the case of service for any Enterprise other than the Company, not opposed to, the best interests of the Company and, in the case of a criminal Proceeding, in addition, had no reasonable cause to believe that his or her conduct was unlawful.

4. **Indemnity in Proceedings by or in the Right of the Company.** The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is made, or is threatened to be made, a party to or a participant in (as a witness or otherwise) any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified against all amounts paid in settlement and Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with the defense or settlement of such Proceeding or any action, discovery event, claim, issue or matter therein or related thereto, if Indemnitee acted in good faith, for a purpose which he or she reasonably believed to be in or, in the case of service for any Enterprise other than the Company, not opposed to, the best interests of the Company. No indemnification, however, shall be made under this Section 4 in respect of (i) a threatened Proceeding, or a pending Proceeding which is settled or otherwise disposed of, or (ii) any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company, unless and only to the extent that the court in which the Proceeding was brought or, if no Proceeding

was brought in a court, any court of competent jurisdiction, determines upon application that, in view of all the circumstances of the case, Indemnitee fairly and reasonably is entitled to indemnification for such portion of the settlement amount and Expenses as the court deems proper.

5. **Indemnification for Expenses Where Indemnitee is Wholly or Partly Successful.** Notwithstanding and in addition to any other provisions of this Agreement, to the extent that Indemnitee is a party to a Proceeding and is successful, on the merits or otherwise, in the defense of any claim, issue or matter therein, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with such successful defense. For the avoidance of doubt, if Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 5 and, without limitation, the termination of any claim, issue or matter in such a Proceeding by withdrawal or dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

6. **Indemnification for Expenses of a Witness.** Notwithstanding and in addition to any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness in or otherwise incurs Expenses in connection with any Proceeding to which Indemnitee is not a party, he or she shall be indemnified against all Expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

7. **Additional Indemnification.**

(a) Notwithstanding any limitation in Sections 3, 4, or 5 hereof or in Section 145 of the DGCL, the Company shall indemnify Indemnitee to the fullest extent permitted by law if Indemnitee is made, or is threatened to be made, a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Losses and Expenses actually and reasonably incurred by Indemnitee in connection with the Proceeding. No indemnification shall be made under this Section 7(a) on account of Indemnitee's conduct which constitutes a breach of Indemnitee's duty of loyalty to the Company or its stockholders or is an act or omission not in good faith or which involves intentional misconduct or a knowing violation of the law.

(b) For purposes of Sections 7(a), the meaning of the phrase *"to the fullest extent permitted by law"* shall include, but not be limited to:

i. to the fullest extent authorized or permitted by the then-applicable provisions of the DGCL that authorize or contemplate indemnification by

agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

(c) Indemnitee shall be entitled to the prompt payment of all Expenses reasonably incurred in enforcing successfully (fully or partially) this Agreement.

8. **Exclusions.** Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment actually has been received by or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under such insurance policy or other indemnity provision; or

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act, as amended, or similar provisions of state blue sky law, state statutory law or common law; or

(c) prior to a Change in Control, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law; or

(d) if the funds at issue were paid pursuant to a settlement approved by a court and indemnification would be inconsistent with any condition with respect to indemnification expressly imposed by the court in approving the settlement.

9. **Advances of Expenses; Defense of Claim.**

(a) Notwithstanding any provision of this Agreement to the contrary, the Indemnitee shall be entitled to advances of Expenses actually and reasonably incurred by him or her or on his or her behalf in connection with a Proceeding that Indemnitee claims is covered by Sections 3 and 4 hereof, prior to a final determination of eligibility for indemnification and prior to the final disposition of the Proceeding, upon the execution and delivery to the Company of an undertaking by or on behalf of the Indemnitee providing that the Indemnitee will repay such advances to the extent that it ultimately is determined that Indemnitee is not entitled to be indemnified by the

Company. This Section 9(a) shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8.

(b) The Company shall advance pursuant to Section 9(a) the Expenses incurred by Indemnitee in connection with any Proceeding within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay such advances. Advances shall include any and all reasonable Expenses incurred pursuing an action to enforce such right to receive advances.

(c) The Company will be entitled to participate in the Proceeding at its own expense.

(d) The Company shall not settle any action, claim or Proceeding (in whole or in part) which would impose any Expense, judgment, fine, penalty or limitation on the Indemnitee without the Indemnitee's prior written consent.

10. **Procedure for Notification and Application for Indemnification.**

(a) Within sixty (60) days after the actual receipt by Indemnitee of notice that he or she is a party to or is requested to be a participant in (as a witness or otherwise) any Proceeding, Indemnitee shall submit to the Company a written notice identifying the Proceeding. The failure by the Indemnitee to notify the Company within such 60-day period will not relieve the Company from any liability which it may have to Indemnitee (i) otherwise than under this Agreement, and (ii) under this Agreement except, and only to the extent that, the Company can establish that such failure to notify the Company in a timely manner resulted in actual prejudice to the Company.

(b) Indemnitee shall thereafter deliver to the Company a written application for indemnification. Such application may be delivered at such time as Indemnitee deems appropriate in his or her sole discretion. Following delivery of such a written application for indemnification by Indemnitee, the Indemnitee's entitlement to indemnification shall be determined promptly according to Section 11(a) of this Agreement and the outcome of such determination shall be reported to Indemnitee in writing within forty-five (45) days of the submission of such application.

11. **Procedure Upon Application for Indemnification.**

(a) Upon written application by Indemnitee for indemnification pursuant to Section 10(b), a determination with respect to Indemnitee's entitlement thereto pursuant to the mandatory terms of this Agreement, pursuant to statute, or pursuant to other sources of right to indemnity, and pursuant to Section 12 of this Agreement shall be made in the specific case: (i) by a majority vote of the Disinterested Directors, whether or not such directors otherwise would constitute a quorum of the

Board; or (ii) if so requested by the Indemnitee in his or her sole discretion, or if requested by the Disinterested Directors, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee. Indemnitee shall reasonably cooperate with the person, persons or entity making the determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless from any such costs and expenses.

(b) If it is determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination.

(c) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 11(a) hereof, the Independent Counsel shall be selected as provided in this Section 11(c). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising him or her of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been received, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; *provided, however,* that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit.

(d) If, within twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 10(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to

whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a) hereof.

(e) Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a) of this Agreement, any Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

12. **Presumptions and Effect of Certain Proceedings.**

(a) *Presumption in Favor of Indemnitee.* In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted an application for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption.

(b) *No Presumption Against Indemnitee.* Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met the applicable standard of conduct for indemnification shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(c) *Sixty Day Period for Determination.* If the person, persons or entity empowered or selected under Section 11 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of an application therefor, a determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto.

(d) *No Presumption from Termination of a Proceeding.* The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of *nolo contendere*, or its equivalent, shall not of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and for a purpose which he or she reasonably believed to be in, or, in the case of service for any Enterprise other than the Company, not opposed to, the best interests of the Company or, with respect to any

criminal Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

(e) *Reliance as Safe Harbor.* For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action or failure to act is based on the records or books of account of the Company or any Enterprise other than the Company, including financial statements, or on information supplied to Indemnitee by the officers of the Company or any Enterprise other than the Company in the course of their duties, or on the advice of legal counsel for the Company or any Enterprise other than the Company or on information or records given or reports made to the Company or any Enterprise other than the Company by an independent certified public accountant or by an appraiser or other expert selected by the Company or any Enterprise other than the Company. The provisions of this Section 12(e) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed or found to have met any applicable standard of conduct.

(f) *Actions of Others.* The knowledge and/or actions, or failure to act, of any other director, officer, trustee, partner, managing member, fiduciary, employee or agent of the Company or any Enterprise other than the Company shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

13. **Remedies of Indemnitee.**

(a) *Adjudication/Arbitration.* In the event that (i) a determination is made pursuant to Section 11 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 9 of this Agreement, (iii) subject to Section 12(c), no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) of this Agreement within 60 days after receipt by the Company of the application for indemnification, or (iv) payment of indemnification is not made pursuant to Sections 3, 4, 5, 6, 7 and 11(b) of this Agreement within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or after receipt by the Company of a written request for any additional monies owed with respect to a Proceeding as to which it already has been determined that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication by a court of his or her entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his or her option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) *Indemnitee Not Prejudiced by Prior Adverse Determination.* In the event that a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a

de novo trial, or arbitration, on the merits, and Indemnitee shall not be prejudiced by reason of the prior adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 13, the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 11(a) of this Agreement adverse to Indemnitee for any purpose.

(c) *Company Bound by Prior Determination.* If a determination shall have been made pursuant to Section 11(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) *Expenses.* In the event that Indemnitee, pursuant to this Section 13, seeks a judicial adjudication of or an award in arbitration to enforce his or her rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by him or her in such judicial adjudication or arbitration if it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive all or part of the indemnification or advancement of Expenses sought which the Company had disputed prior to the commencement of the judicial proceeding or arbitration.

(e) *Advances of Expenses.* If requested by Indemnitee, the Company shall (within ten (10) days after receipt by the Company of a written request therefore) advance to Indemnitee the Expenses which are incurred by Indemnitee in connection with any judicial proceeding or arbitration brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, if the Indemnitee has submitted an undertaking to repay such Expenses if Indemnitee ultimately is determined to not be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be. The Indemnitee's financial ability to repay any such advances shall not be a basis for the Company to decline to make such advances.

(f) *Precluded Assertions by the Company.* The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

14. **Non-exclusivity; Survival of Rights; Insurance; Subrogation.**

(a) *Rights of Indemnitee Not Exclusive.* The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Company's Certificate of Incorporation, the Company's Bylaws, any agreement, vote of stockholders or a resolution of directors, or otherwise. No right or remedy herein conferred by this Agreement is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

(b) *Survival of Rights.* No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his or her Corporate Status prior to such amendment, alteration or repeal.

(c) *Change of Law.* To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Company's Certificate of Incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

(d) *Insurance.* To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, trustees, partners, managing members, fiduciaries, employees, or agents of the Company or of any other Enterprise which such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, trustee, partner, managing member, fiduciary, officer, employee or agent under such policy or policies. If, at the time the Company receives notice from any source of a Proceeding as to which Indemnitee is a party or a participant (as a witness or otherwise) the Company has director and officer liability insurance in effect that covers Indemnitee, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(e) *Subrogation.* In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(f) *Other Payments.* The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(g) *Other Indemnification.* The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such Enterprise.

15. **Duration of Agreement.** This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director, officer, agent or employee of the Company or as a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other Enterprise which Indemnitee served at the request of the Company; or (b) one (1) year after the final termination of any Proceeding (including after the expiration of any rights of appeal) then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 13 of this Agreement (including any rights of appeal of any Proceeding commenced pursuant to Section 13). This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and his or her heirs, executors and administrators.

16. **Severability.** If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

17. **Enforcement.**

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve, or to continue to serve, as a director, officer, employee and/or agent of the Company, and the Company acknowledges that Indemnitee is relying upon this

Agreement in serving or continuing to serve as a director, officer, employee and/or agent of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

18. **Modification and Waiver.** No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

19. **Notice by Indemnitee.** Indemnitee agrees to promptly notify the Company in writing upon being served with the first of any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise except to the extent the Company has suffered actual prejudice as a result of the failure to so notify.

20. **Successors and Binding Agreement.**

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) and any acquiror of all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to Indemnitee and/or his or her counsel, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform it if no such succession had taken place.

(b) This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including, without limitation, any person acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for purposes of this Agreement), but will not otherwise be assignable or delegatable by the Company.

(c) This Agreement will inure to the benefit of and be enforceable by the Indemnitee's personal or legal representatives, executors, administrators, successors, heirs, distributees, legatees and other successors.

(d) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign or delegate this Agreement or any

rights or obligations hereunder except as expressly provided in Sections 20(a), (b) and (c). Without limiting the generality or effect of the foregoing, Indemnitee's right to receive payments hereunder will not be assignable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by the Indemnitee's will or by the laws of descent and distribution, and, in the event of any attempted assignment or transfer contrary to this Section 20(d), the Company will have no liability to pay any amount so attempted to be assigned or transferred.

21. **Notices.** All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if: (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, on the date of such receipt, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee subsequently shall provide in writing to the Company.

(b) If to the Company to:

Verint Systems Inc.
234 Crossways Park Drive
Woodbury, New York 11797
Attention: President and Chief Executive Officer

or to any other address as may have been furnished to Indemnitee in writing by the Company.

22. **Contribution.** To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

23. **Applicable Law and Consent to Jurisdiction.** This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws, principles or rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 13 of this Agreement, the Company and Indemnitee hereby

irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the *"Delaware Court"*), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) irrevocably appoint, to the extent such party is not a resident of the State of Delaware, XL Corporate Services Inc., 15 East North Street, Dover, Delaware 19901 as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

24. **Identical Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

25. **Miscellaneous.** Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

VERINT SYSTEMS INC.	INDEMNITEE
By: _____	_____
Name: Title:	Name: Address: Address for Notices: _____ _____ _____ Attention: _____ Fax Number: _____

QuickLinks

INDEMNIFICATION AGREEMENT

Exhibit 21.1

Subsidiaries of Verint Systems Inc.

Name of Company	**Organized Under the Laws of**
Verint Technology Inc.	Delaware
Verint Systems Ltd.	Israel
Comverse GmbH	Germany
Comverse Grundbesitz GmbH	Germany
Verint Systems B.V.	Netherlands
Verint Systems Canada Inc.	Canada
Verint Systems SAS	France
Verint Systems GmbH	Germany
Verint Systems UK Ltd.	U.K.
Loronix Information Systems, Inc.	Nevada
Loronix Information Systems, Ltd.	UK
Syborg Informationsysteme OHG	Germany

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EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Amendment No. 1 to this Registration Statement No. 333-82300 of Verint Systems Inc. of our report dated March 8, 2002, appearing in the Prospectus, which is part of such Registration Statement, and to the reference to us under the heading "Experts" in such Prospectus.

/S/ Deloitte & Touche LLP

Jericho, New York
March 20, 2002

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INDEPENDENT AUDITORS' CONSENT

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EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Loronix Information Systems, Inc.:

We consent to the use of our report included herein and to the reference to our Firm under the heading "Experts" in the prospectus.

/s/ KPMG LLP

San Diego, California
March 20, 2002

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INDEPENDENT AUDITORS' CONSENT